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Poverty Reduction in Burundi: A Case Study of the Effectiveness of Foreign Aid

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**Poverty Reduction in Burundi:
A Case Study of the Effectiveness of Foreign Aid**

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A Practicum Paper

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Poverty Reduction in Burundi: A Case Study of the Effectiveness of Foreign Aid

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EXECUTIVE SUMMARY

The Millennium Development Goals (MDGs) are eight international development goals that were officially established by the United Nations in 2000 following the adoption of the United Nations' Millennium Declaration. The aim of these goals is to free humanity from extreme poverty, hunger, illiteracy and disease by 2015. By signing the Millennium Declaration, Burundi has pledged to improve policies and governance, and increase accountability to its citizens. Burundi relies heavily on foreign aid and has experienced a significant increase in aid flow in recent years; however, the high external assistance has not yet translated into high and sustainable growth rates and improvement.

The purpose of this study is to find out whether foreign aid is effective at alleviating poverty in Burundi, one of the poorest countries in the world. The paper examines whether foreign aid helps Burundi in reaching the three MDG goals: eradicating extreme poverty and hunger, achieving universal primary education, and reducing infant mortality by 2015. The whole approach of this study is intended to give readers an understanding of the relationship between foreign aid and poverty. The study is an in-depth examination of the total bilateral and total net official development assistance aid flows to Burundi. Results show that foreign aid has a positive and significant impact on child mortality and primary education. Also, this paper brings light to how improvement can be made in Burundi to eliminate poverty, a major social issue that can and should be controlled and eradicated by improving the economic conditions of the country.

INTRODUCTION

Burundi is a small country in central Africa of about the size of Maryland. It is landlocked with Rwanda to the north, Tanzania to the east, and the Democratic Republic of the Congo to the West. Its population is 8,303,330 and 70 percent live below the poverty line (U.S. Department of State 2012). Burundi is one of the poorest countries in the world with a per capita GDP of US\$160, one of the lowest in the world and the country is heavily reliant on international aid. Burundi's central government revenue is US\$588.5 million including foreign grants (Nielsen and Madani 2010).

Burundi has experienced nearly two decades of conflict and troubles, which have contributed to widespread poverty. It is ranked 185th out of 187 countries on the 2011 United Nations Development Programme's human development index, and eight out of ten Burundians live below the poverty line (UNDP 2011). Per capita gross national income (GNI) in 2010 was US\$170, which is approximately half of what it was before its pre-war 20 years ago (Ki-moon 2011). Burundi was traditionally self-sufficient in food production, but because of conflict and recurrent droughts, the country has had to rely on food imports and international food aid in a few of its regions (Ngowembona 2006).

Subject and Purpose

In 2000, world leaders established goals and targets to free humanity from extreme poverty, hunger, illiteracy and disease by 2015. The Millennium Declaration and the Millennium Development Goals of the United Nations framework has helped set global and national priorities and focus subsequent actions. By signing the Millennium Declaration,

Burundi has pledged to improve policies and governance and increase accountability to its citizens. The Millennium Declaration is a pledge between 189 nations that turned into eight Millennium Development Goals (MDG). The first goal targets the eradication of extreme poverty and hunger. The second goal is to achieve universal primary education. The third goal promotes gender equality. The fourth goal reduces child mortality. The fifth goal improves maternal health. The sixth goal is to combat HIV/AIDS, malaria and other diseases. The seventh goal ensures environmental sustainability, and the last goal is to develop a global partnership for development (United Nations 2012).

According to the 2011 MDG report, there has been a tremendous improvement in education in the poorest of the countries with Burundi being part of the progress. With an eighteen percent (18) point gain between 1999 and 2009, sub-Saharan Africa is the region with the best record of improvement (Ki-moon 2011). Despite real progress, Burundi is failing to reach the most vulnerable that are the poorest of the poor. The poorest children have made the slowest progress in term of nutrition and employment opportunities fall short for women (Ki-moon 2011). Improving the lives of a growing number of urban poor remains a huge challenge as well (Ki-moon 2011). This study's purpose is to find out how effective foreign aid is to Burundi at alleviating poverty in one of the poorest countries in the world.

Statement of the Problem/Research Question

Burundi's half of the budget is funded by aid, mostly grants to help the country reduce its poverty (Nielson and Madani 2010). It is heavily dependent on bilateral and multilateral aid. In 2004, the International Monetary Fund (IMF) approved a \$104 million Poverty Reduction and Growth Facility loan. The high external assistance has, however, not yet translated into high and sustainable growth rates and improvement. The paper will focus on how much foreign aid is

distributed to the government of Burundi; where the foreign aid comes from and whether it is effective at alleviating poverty. This paper will examine whether foreign aid helps Burundi reach three MDG goals, which are eradicating extreme poverty and hunger, achieving universal primary education and improving infant mortality. The whole approach of this study is intended to give readers an understanding of the relationship between foreign aid and poverty. Perhaps the secondary purpose of this research paper is to bring awareness of the difficulties and challenges the government faces in reducing poverty in Burundi. Also, this paper will bring light to how improvement can be made in Burundi to eliminate poverty, a major social issue that can and should be controlled and eradicated by improving the economic conditions of a country.

Definition of Effective

Serious economic problems exist in Burundi where the question of governmental transparency and debt reduction could be questioned. Are scarce resources managed and spent appropriately on public services; are these resources achieving the best and most needed public services for the limited resources available? Are services offered to the neediest of the population? Eradicating extreme poverty, hunger, illiteracy, and disease by 2015 is a contemporary public issue. Governments exist to protect the rights and serve the needs of the public. Good governance is to ensure those needs are served effectively and fairly, which can be accomplished through effective government budgeting.

Many definitions of effectiveness exist making it difficult to really gauge effectiveness. The New Oxford American Dictionary, defines “effectiveness” as “successful in producing a desired or intended result” and, second, as “fulfilling a specified function in fact, though not formally acknowledged as such” (Oxford American Dictionary 2012). Fox and Meyer, 1995, define effectiveness as a criterion to which an alternative is recommended if it results in the

achievement of a valued outcome. Referring to “organizations with a finite amount of resources, is able to achieve stated objectives as measured by a given set of criteria, and the extent to which a program is achieving or failing to achieve its stated objectives” (Fox and Meyer 1995, 41). Effectiveness is also defined as the “degree to which an organization’s goals are attained at a minimum of cost” (Schultz 2009, 28).

Effectiveness, one of the four pillars of public administration, is prominent at increasing the call for government’s accountability. Effectiveness is reflected in the government’s ability to serve and protect the public and accomplish its goals. In the perspective of foreign aid, effectiveness would focus on whether aid is allocated to public programs that produce the changes hoped for society in economic development and human development. Effectiveness is also achieving goals and results in a set time period. Although it is not always easy to determine which outcomes should be used to define effectiveness in eradicating poverty. International human development indicators already available will be used to assess poverty alleviation in Burundi. These tools that exist to track progress are such as economic, health, and education indicators gathered by organizations such as the Organization for Economic Co-operation and Development (OECD) and the World Bank. Light, 1993, also stated that “one possible way to gauge effectiveness is to set minimum standards of performance against which to measure compliance” (204).

In measuring effectiveness a distinction needs to be made between outcome and impact as well. Outcome measures program results while impact measures the desired effects or consequences of these programs. Measures of these types evaluate whether government action has “affected individuals, institutions, or the environment, if it has then an impact has occurred” (Lee, Johnson and Joyce 2008, 141). Outcomes and impacts can be seen as methods of gauging

the value of government services or determining whether expenditures are accomplishing what decision makers wish to achieve (Lee, Johnson and Joyce 2008). For example for the MDG goal of ensuring that all children are able to complete primary school by 2015, its impact would be that these children will be less likely to struggle with poverty when they grow up.

I choose to focus on eradicating extreme poverty and hunger, achieving universal primary education and infant mortality because children are the future of a country. When a country reduces its children's mortality rate and improves its infant mortality rate it is investing in its long term growth (IMF 2006). A country's ability to ensure that all children complete primary school can lower its risk of poverty in the future. Improving the educational level and reducing the mortality rate of children under-five are goals aiming at alleviating poverty in the long term, rather than alleviating suffering in the short term. The government should also be responsible to create opportunities for citizens living below the poverty line of \$1 per day set by the United Nations' Millennium Development Goals.

The principal MDG target of eradicating extreme poverty and hunger is to halve the proportion of people whose income is less than one dollar per day from 1990 to 2015. According to the UN statistics in 1990, 45.2 percent of the Burundian population lived below the poverty line of one dollar per day. The MDG target of reducing child mortality is to decrease it by two thirds from 1990 to 2015. The infant mortality and mortality of children under five years of age was very high at 190 per thousand in 1990 and at 181 per thousand in 2006 (United Nations Development Programme 2011). The third MDG target is to ensure that all children will be able to complete a full course of primary schooling. Achieving universal primary education ensures that, by 2015, children everywhere, regardless of sex, will be able to complete a full course of primary education. Based on the 2006 Poverty Reduction Strategy Paper (PRSP-I), more than

half of the Burundian population is illiterate and at the primary level, the gross enrollment ratio was at 79.6 percent in 2004, an increase from 42.9 percent in 1996 (IMF 2006). The objective of this paper is to test the effectiveness of aid on these three indicators and determining whether aid is effective at achieving the set goals determined by the MDG of the United Nations.

LITERATURE REVIEW

The Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) defines foreign aid as financial flows, technical assistance, and commodities that are (1) designed to promote economic development and welfare as their main objective (thus excluding aid for military or other non-development purposes); and (2) are provided as either grants or subsidized loans (Center for Global Development 2012).

The DAC further characterizes aid flows into three broad categories. Official development assistance (ODA) which is the largest category; it is aid given by donor governments to low-and middle-income countries. The second category consists of official assistance (OA) which is aid that governments give to richer countries with per capita incomes higher than \$9,000 (Radelet 2006). The last category is private voluntary assistance consisting of grants from non-government organizations such as religions groups, charities, foundations, and private companies. This paper will only focus on official development assistance that Burundi receives.

There is a large amount of literature on the effectiveness of foreign aid. One side of the literature finds a negative relationship between the effectiveness of foreign aid and economic growth per capita. These opponents argue that unless certain conditions are met such as better

institutions, aid does not have a positive impact on growth (Burnside and Dollar 2000). Some studies have failed to establish a connection between aid and real GDP growth in developing countries. In their 1987 study, Mosley, Hudson and Horrell stressed the possibility of aid not being appropriately used and leading to non-productive public sector spending thus affecting adversely the private sector. When aid is being allocated to a certain project and once the project is terminated; the government can spend the remaining sum on any other purpose (such as enlarging the army, reducing taxation and debt). These fiscal adaptations of aid inflows often have an influence on the macro-economy through the exchange rate and the level of interest rates. It also affects the prices of some goods, depresses the prices of some other goods, and in turn, has negative side effects on the private sector. The authors' study pushed donors to concentrate and allocate their aid on countries that had high aid effectiveness. The criteria they used for effectiveness of aid were rates of return on investment, the proportion of aid allocated to the recurrent budget, and the impact of aid on private investment. Their method was heavily criticized by Hansen and Tarp (2000) who claimed that the methodology they used failed to test correctly the aid-savings, aid-investment, and aid-growth relationships. The criticism was that instead of concentrating on the effectiveness of aid their method rather focused on the ineffectiveness of saving. Based on this deficiency, they used another approach that proved that aid increases aggregate savings; aid increases investment; and therefore a positive relationship exists between aid and growth.

Supporters, on the other side, believe that there is a positive relationship between the effectiveness of foreign aid and economic growth per capita. They argue that foreign aid has a positive impact on economic growth if aid is allocated efficiently and the recipient country has sound fiscal and monetary policies to manage aid. The World Bank's report of the assessment of

aid established a positive impact of aid on growth when governments followed sound fiscal, monetary, and trade policies and also if aid was only allocated to low-income countries with good governance (World Bank 1998). Conclusions were drawn on Burnside and Dollar's (2000) and Collier and Dollar's (1999) findings. These studies covered the years between 1970 to 1993 and found a link between aid, sound policy, and growth. They also studied 56 low income countries which includes 25 African countries. Collier and Dollar (1999) stated that aid distribution was radically different from the poverty efficient allocation. Meaning once the level of poverty had reached a certain level, aid was allocated efficiently only when it is reinforced with policy reform. Once aid has reached a certain level, aid is subject to diminishing returns, creating dependency and encouraging poor economic policies (Collier and Dollar 1999). The authors also argued that aid is targeted disproportionately on countries with severe poverty and adequate policies. Their study showed that aid was only effective in lifting around 16 million people in the world annually, but with a poverty-efficient allocation this would have increased to around 30 million people. Burnside and Dollar (2000) similarly examined the relationship among aid, economic policies, and GDP growth per capita. They concluded that aid had a positive impact also on growth in developing countries with good fiscal, monetary, and trade policies. They also established that the quality of policy had only a small impact on the allocation of aid and suggested that aid would be more effective if it were conditioned on good policy.

One of the major challenges of assessing the effectiveness of aid is the complexity and multitudes of donors. Adding to this complexity are factors that make aid effectiveness even more perplexing, such as the lack of predictability, the lack of coordination, and aid fragmentation. In the world, there are 280 bilateral donor agencies, 242 multilateral programs, 24 development banks, and 40 United Nations agencies working in the development business.

(Deutschen and Fyson 2008). The increasing number of private foundations and nongovernmental organizations also augment the difficulty. On the opposite side, one of the major problems recipient countries face are the bureaucratic costs associated with meeting the administrative requirements imposed by a multitude of donors (Knack and Rahman 2007). The lack of predictability of aid arriving on scheduled in the recipient country, challenges government to plan or respond to citizens' needs if funding does not arrive when it is supposed to (Deutschen and Fyson 2008). According to statistics, only 45 percent of aid arrives on time, as scheduled by donors (OECD-DAC 2008). The lack of coordination also creates difficulties because governments cannot organize and manage programs if there is not any coordination between the donors' expectations and the government needs thus decreasing effectiveness. Aid fragmentation also creates issues because recipient countries are incapable of sustaining all the requirements of the multitude of donors. The higher the number of aid agencies involved in a recipient country, the more difficult it will be to assess the effectiveness of the aid. A survey done by the Development Assistance Committee of the Organization for Economic Cooperation and Development on the scaling up of aid, found out that only 24 out 38 developing countries received aid from 15 out of 25 multilateral donors. These 15 donors collectively provided less than 10 percent of the country's total aid but required the recipient country to follow their respective procedure and standards (OECD-DAC 2008).

Effectiveness can also be evaluated in the ability of a country to become less dependent on aid, by defining its own priority and relying on its own systems to deliver that aid (Deutschen and Fyson 2008). According to the same article, the authors demonstrate that if aid was donor-driven, it would lead to more sustainable results. The authors stress the importance of the aid relationship between donors and recipient countries, whereby donors should not respond to their

own constituencies but to the citizens' needs in developing countries. The authors also state that if donors do not allocate aid through recipient country institutions, these countries will not develop and strengthen their ability to come out of poverty and thereby continue to be dependent on aid.

Deutschen and Fyson, 2008 put forward suggestions on how to improve aid effectiveness. They based their recommendations on findings found in the surveys on monitoring the Paris Declaration. Aid effectiveness could improve if the focus was on the results and the allocation of the aid. The authors also suggest that to enhance political leadership and demand for aid effectiveness at the country level, developing countries should also be asked to be involved in the aid effectiveness agenda. There should be two-way accountability between the donors and the recipients. Next, they stressed the importance of reducing aid fragmentation by asking donors to reduce the number of agencies in different sectors at a country level. Lastly, the authors recommend better communications between partner countries on the effectiveness of aid. Another suggestion for aid effectiveness is to give out loans that may help to induce discipline compared to grants because they have to be returned. Remittances and private to private assistance have proven to be effective as well in fostering growth and investment (Djankov, Montalvo and Reynal-Querol 2006).

The achievement of the UN Millennium Development Goals brings up the issue of evaluating the effectiveness of aid. Africa is facing major challenges in achieving the goals set by the United Nations' MDG. Based on recent trends and optimistic forecasts, the main target of eradicating extreme poverty by half by 2015 will not be met until 2127 in Sub-Saharan Africa (Loxley and Sackey 2008). Poverty in Sub-Saharan Africa has increased, with the proportion of people living below one dollar per day rising from 47 to 49 percent between 1990 and 1999

(Loxley and Sackey 2008). The target of decreasing child mortality by two-thirds and achieving primary education will not be met either until 2165 and 2129, respectively (United Nations Development Programme 2003). Similarly, reaching the remaining five MDG is just as likely based on the UNDP forecasts. Loxley and Sackey study found a positive relationship between aid and growth in their study of aid effectiveness in Africa. They argue that improvements in infant mortality rates, adult literacy and life expectancy, which are shaped by social sector government consumption spending, can significantly increase with aid. Furthermore, they stress the need of aid for the continent's growth as a whole.

Achieving the Millennium Development Goals face challenges in Burundi as well. A country can benefit from aid when its needed projects and programs are financed by aid. The impact of an increase in aid, however, depends to a large extent on the policy response of the country as well. Burundi's policy response to the increase in net aid inflows has been to mostly absorb the additional resources. The fact that Burundi spends and absorbs most of the aid flows raises concerns about currency appreciation and its impact on competitiveness of the economy (Nielson and Madani 2010). According to the authors' analysis, exchange rate would rise during an aid-splurge period, thus affecting adversely the terms of trade for a possible loss of competitiveness during the same period of aid-splurge. In analyzing the impact of aid on growth, Clemens, Radelet, and Bhavani (2004) highlight the importance of taking into account the objectives of giving and using aid. They identify three categories of aid and their potential impact on growth. The three categories are: Humanitarian aid, aid with a short-run impact on growth, and aid with a long-run impact on growth. Humanitarian aid is used for immediate consumption after a war, or any disaster that would destabilize a country; therefore it has little correlation with growth. However, it could have a long term effect as peace and stability have to

be established to enable the recovery of a country. Aid with a short-run impact on growth is aid that provides resources for infrastructure and production sectors, which has an impact on the short term. The third category is aid with a long-run impact on growth that focuses resources in sectors such as health and education, which has long term impact on growth, but no visible short term impact (Clemens, Radelet and Bhavani 2004).

According to recent studies, the most aid to Burundi was allocated to either humanitarian aid or long-run growth enhancing sectors; consequently, making it difficult to evaluate the real impact of aid on economy growth (Nielsen and Madani 2010). After the outbreak of the civil war in 1993, almost all donor support was suspended from 1996 to 2000 until the peace agreement of Arusha was signed and marked a period of transition. Since then, donors have resumed the support and aid increased to a level of over US\$ 300 million in 2007, the equivalent of 30 percent of GDP (Nielsen and Madani 2010). Aid allocated to long-run impact on growth represented 37 percent of total aid, which could anticipate increasing the productivity of labor in Burundi in the long run. Also, facts show that there is an improvement in the primary education enrollment in Burundi. The president of Burundi, Pierre Nkurunziza, has a strong commitment to improving health and education. He eliminated the primary school fee in September 2005 causing a large increase in the first grade enrollment (Nielsen and Madani 2010). The Burundi government has started to redirect its budget, including resources from interim debt relief, toward poverty reducing and social expenditures. Interim debt relief has been used as an integral part of the overall budget to increase social sector and poverty-reducing expenditures.

METHODOLOGY

Research Method

For this research, a case study approach will be used. Therefore, this is an exploratory case study to examine the effectiveness of foreign aid at meeting the MDG goals, thus reducing poverty in Burundi. The researcher measured foreign aid effectiveness based on whether or not three United Nations' MDGs goals will be attained by 2015 or whether the intended impact of these goals are achieved. The study was an in-depth examination of bilateral and multilateral aid flowing to the Burundian government. Aid is measured as Official Development Assistance (ODA) disbursements. Data from the Organization for Economic Co-operation and Development (OECD), The World Bank online statistics databases and the World Development Indicators 2012 were used and examined. Poverty Reduction Strategy Papers (PRSPs) I & II were used as well, which are documents required by the International Monetary Fund and the World Bank before a country can be envisaged for debt relief within the Heavily Indebted Poor Countries (HIPC) initiative (IMF 2012). These papers are prepared by members of the origin country and staffs of the World Bank and the IMF. PRSPs are also required before low-income countries can receive aid from most major donors and lenders (Dijkstra 2011). PRSP I & II of Burundi will help the researcher analyze the three MDG's studied. They were published in 2006 and 2012 respectively, and present yearly assessment of the country's progress toward the MDGs. Graphical analysis of ODA received by Burundi was examined from 1990 to today. The researcher used the Statistical Package for the Social Sciences (SPSS) software to generate a comparison study between foreign aid and the development of the three MDG analyses from 1990 to today. This case report explored whether there is a relationship between Burundi's ODA

and the MDG score and further conclude whether foreign aid is effective. The primary units of analysis are foreign aid received by Burundi and the MDG score in Burundi.

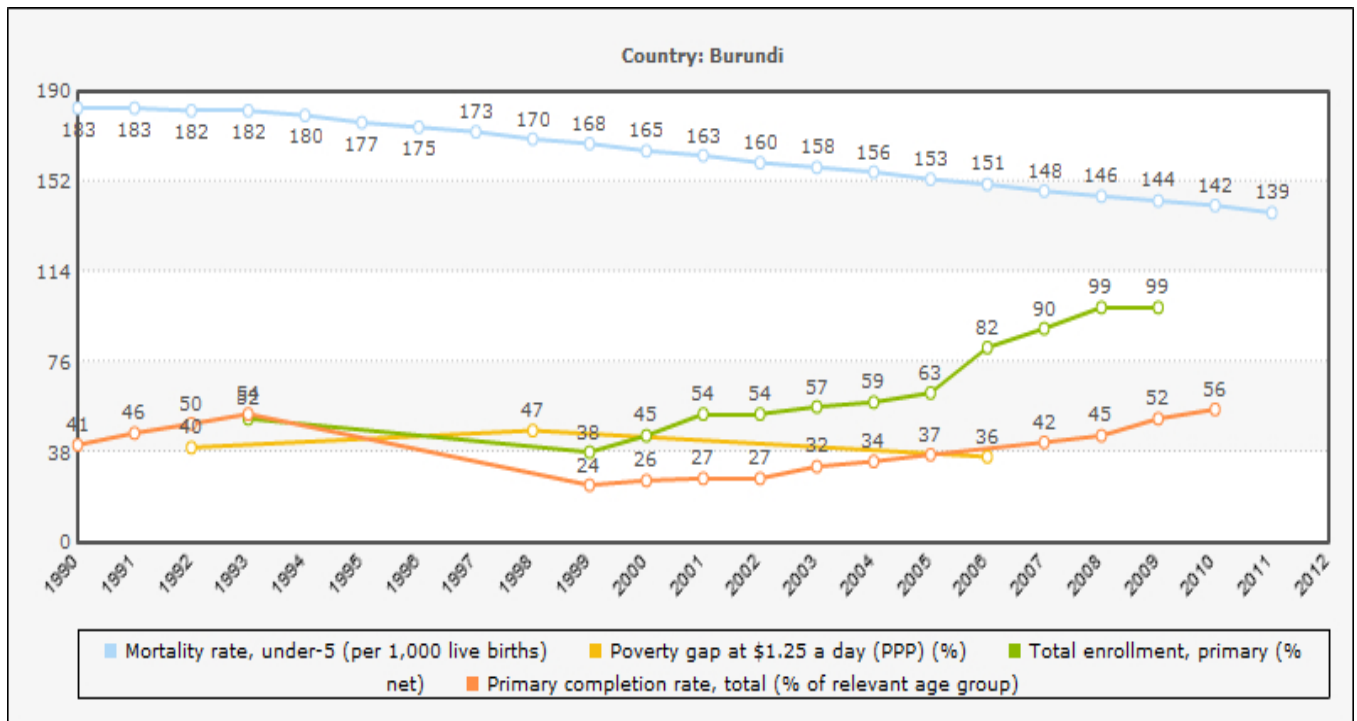
Limitations of the Data.

Population sampling was not possible for this case study as it is a case study type of research. This study used secondary data collected by others for different purposes. One of the major limitations of secondary data is that it was collected for different purposes and not all data the researcher was looking for will be available. Data accuracy issues may result from this lack of control in data procurement and gathering (O'Sullivan, Rassel and Berner 2003). The scholar also encountered data that were different from one source to the other, making it difficult to choose which source to use. Most data were gathered from the OECD and the World Bank.

FINDINGS

Data Analysis

Figure 1. Progression of three Millennium Development Goals- Child Mortality, Extreme Poverty, and Primary Enrollment & Completion Rate.

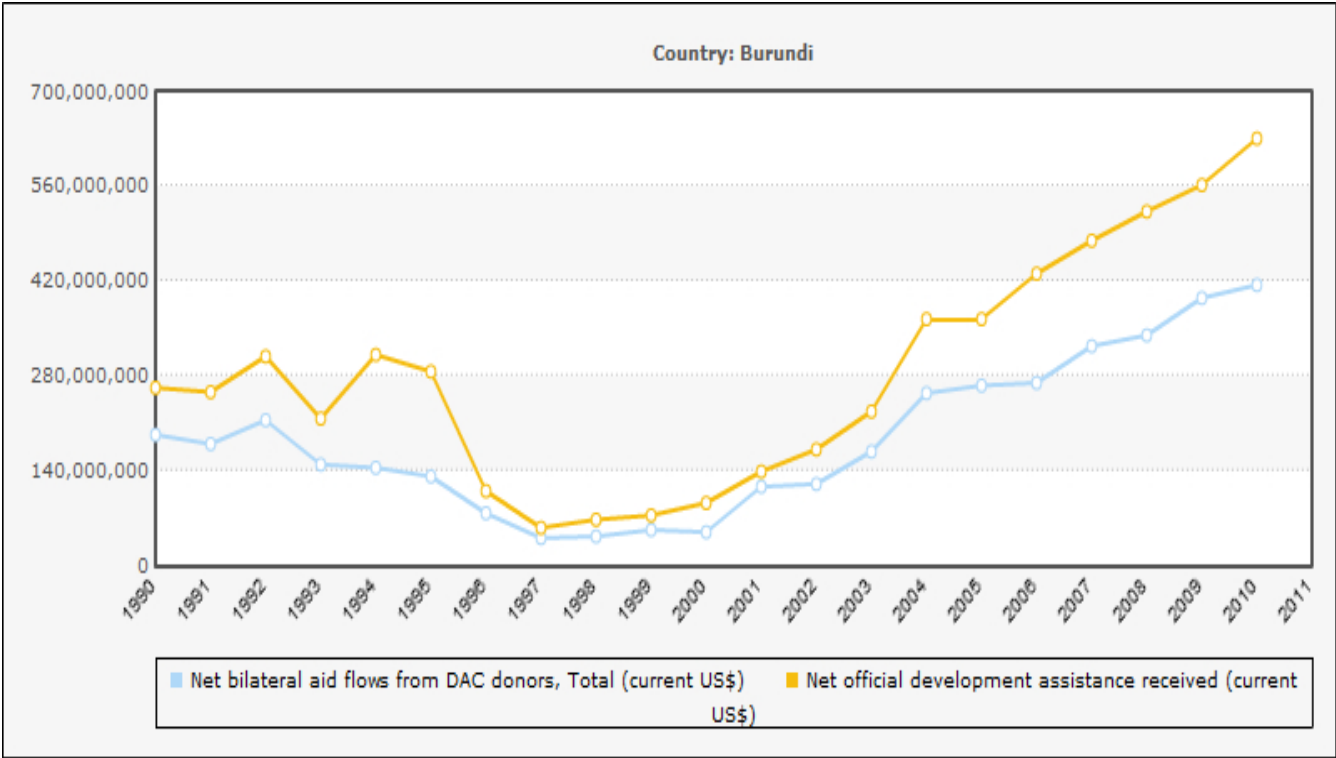


Source: World Bank 1990-2011. Child Mortality, Extreme Poverty, Primary Enrollment & Completion Rate.

As the graph shows us there has been an improvement of the under-five mortality rate from 1990 to 2011. It has improved from 183 deaths per 1000 children in 1990 to 139 deaths per 1000 children in 2011. The chart also shows us a vast progress in the total enrollment in primary school and a slight progression in the primary completion rate. Total enrollment in primary school, regardless of age, is expressed as a percentage of the population of official primary education age. In 1993, the enrollment was at 53 percent and has improved to 99 percent in 2009. The primary completion rate measures the proportion of children enrolled in the final year of

primary education after adjusting for repetition. In 1990, 41 percent of children had completed primary school compared to 56 percent in 2010. The researcher encountered data limitations for total enrollment and primary completion, and extreme poverty. Both total enrollment and primary completion rates were missing data from 1994 to 1998. A decrease in extreme poverty is also observed and data was only found for the following years: 1992, 1998 and 2006. The other constraint for extreme poverty, was based on US\$1.25 per day instead of \$1.00 per day. US\$ 1.00 per day was the set goal by the MDG of the United Nations. The World Bank defines extreme poverty as living on less than US\$1.25 per day instead of US\$1.00 per day.

Figure 2. Net Bilateral and Net Official Development Assistance Aid Flow.



Source: OECD 1990-2011.Net Bilateral and Net Official Development Assistance Aid Flow.

The Figure 2 graph shows us that both the net bilateral and total official development assistance were consistent with each other. Total net ODA received were much more than the net

bilateral aid flows in all the years studied. The net bilateral aid flows received in Burundi were from DAC donors, which are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, and the United States. The total was calculated in million US dollars. The net official development assistance received by Burundi was in million US dollars as well. The diagram also shows us a decline in total aid in 1993 then another sharp decline in 1996. After 1997, the donor support resumes and reaches in 2010 a high of \$629,940,000 and \$413,810,000 million for total ODA and total bilateral aid flows respectively.

A yearly allocation of the net multilateral allocation was not available in the online statistics databases. Studying from several multiples cases and reports was impractical due to the effort and resources required. Data for the total net ODA collected from OECD and the World Bank statistics databases did not match forcing the researcher to pick one set of data over the other instead of trying to use both for congruency. Some other data covered components as whole; the net ODA contained all aid flows while the researcher was trying to focus on the net multilateral and net bilateral aid flows separately.

Bivariate analysis was used for the following study because it is conducted to describe, explain or predict the relationship between two variables (O'Sullivan, Rassel, and Berner 2003). Furthermore, simple regression is the use of one quantitative independent variable to predict the values of one quantitative dependent variable. In this case, simple regression would examine the exact degree to which foreign aid predicts each quantitative dependent variable: mortality rate, primary school enrollment and primary completion rate, and extreme poverty.

The R^2 demonstrates how well the independent variable predicts the dependent variable. How much of the variance in the dependent variable is accounted for by the variance in the independent variable.

Table 1. R^2 Results for Mortality Rate, Extreme Poverty, and Primary Enrollment & Completion Rate.

Model Summary	R	R Square	Adjusted R Square	Std. Error of the Estimate
Mortality rate	.643 ^a	0.413	0.382	10.95
Primary enrollment	.957 ^a	0.916	0.911	10.01
Primary completion rate	.711 ^a	0.505	0.467	7.94
Extreme poverty	.436 ^a	0.190	-0.620	0.74

The F-Test of Significance is used to test the significance of the regression model.

Table 2. F-Test Significance for Mortality Rate, Extreme Poverty, and Primary Enrollment, & Completion Rate.

ANOVA ^b	Sum of Squares	df	Mean Square	F	Sig.
Mortality rate	1605.589	1	1605.589	13.382	.002 ^a
	2279.562	19	119.977		
	3885.151	20			
Primary enrollment	16491.153	1	16491.153	164.483	.000 ^a
	1503.906	15	100.260		
	17995.059	16			
Primary completion rate	837.531	1	837.531	13.275	.003 ^a
	820.202	13	63.092		
	1657.733	14			
Extreme poverty	0.127	1	0.127	0.235	.713 ^a
	0.543	1	0.543		
	0.670	2			

The goal of simple regression is to obtain a linear equation from which we can predict values of mortality rate using values of foreign aid.

$$\text{Basic Regression Equation is } Y = a + bX$$

Y = predicted the value of the DV (dependent variable)

X = value of the IV (Independent variable)

a = the Y intercept, or the value of Y when X is zero

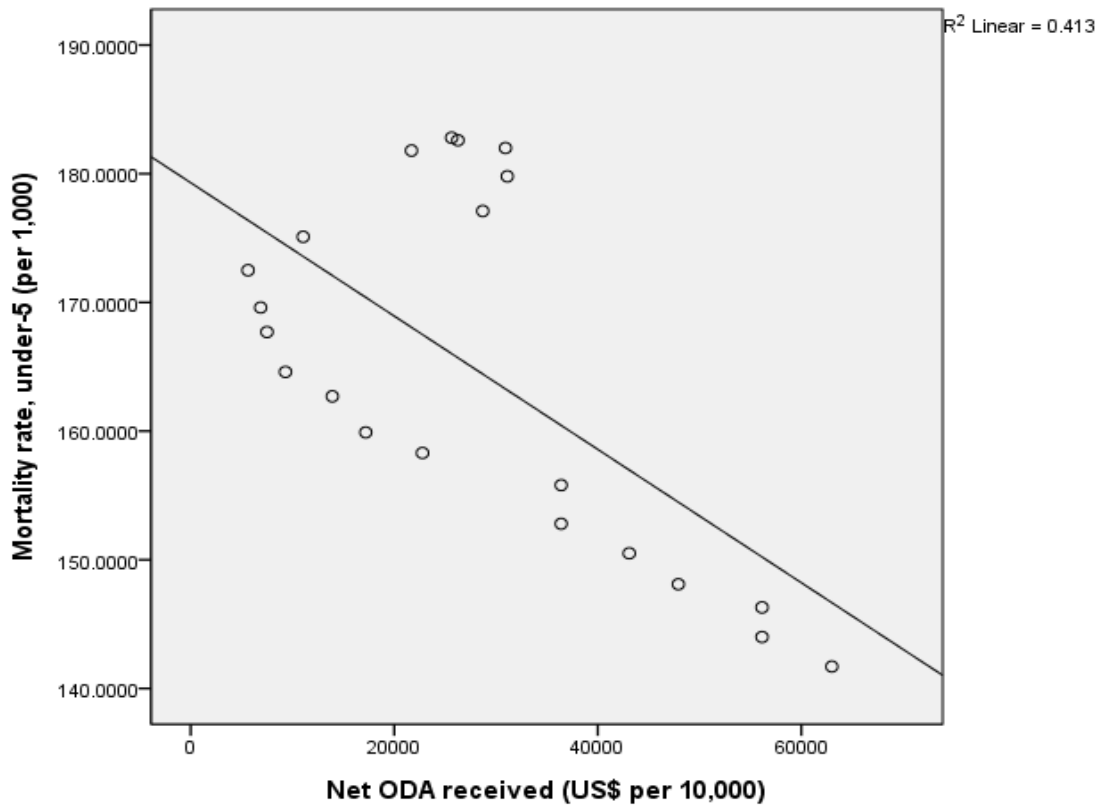
b = regression coefficient; or the value by which Y will change if X changes by 1 unit (slope of the line) (O’Sullivan, Rassel, and Berner 2003).

Table 3. Simple Regression Results for Mortality Rate, Primary Enrollment, Primary Completion Rate, and Extreme Poverty.

Coefficients ^a	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
Mortality rate	179.302	4.686	-0.643	38.263	0.000
	-0.001	0.000		-3.658	0.002
Primary enrollment	33.585	4.948	0.957	6.787	0.000
	0.002	0.000		12.825	0.000
Primary completion rate	25.734	4.307	0.711	5.975	0.000
	0.000	0.000		3.643	0.003
Extreme poverty	5.087	0.873	0.436	5.829	0.108
	1.37E-05	0.000		0.485	0.713

Child Mortality

Figure 3. Net ODA Received per Mortality Rate.



Source: World Bank & OECD. 2011-1990. Net ODA Received per Mortality Rate.

Based on values from Table 3 the regression equation for child mortality would be:

$$\text{Mortality rate} = 179.3 - 0.001(\text{Net ODA received})$$

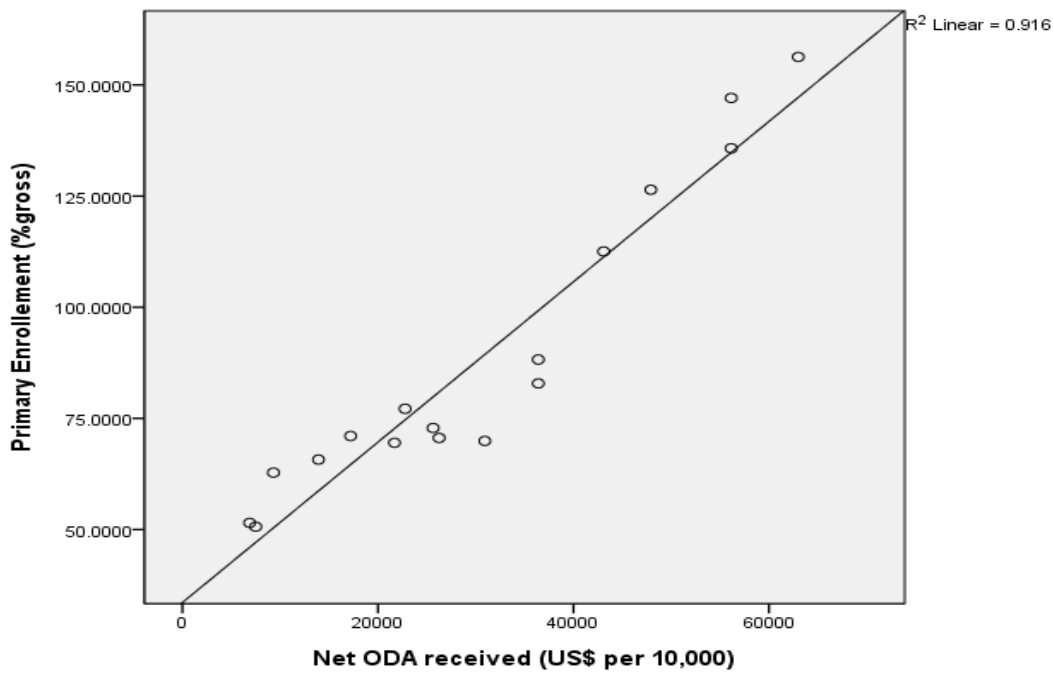
The R^2 value indicates how much of the dependent variable, which is the mortality rate here, can be explained by the independent variable, net ODA received. In this case, values from Table 1 shows us that $R^2 = 0.413$ which means 31 to 50 percent can be explained, meaning there is a moderate fit between child mortality and net ODA received. If values of R^2 are below < 0.1 it means it has a poor fit of 10 percent or less; if values are between 0.11-0.3, it is of modest fit (11-30 percent). Values between 0.31 – 0.5, show a moderate fit of 31 to 50 percent and values

above > 0.5 demonstrate a strong fit of more than 50 percent (O’Sullivan, Rassel, and Berner 2003).

The F-Test of significance is used to test the significance of the regression model. The significance value found in Table 2 shows the statistical significance of the relationship between each dependent variables and independent variable. The closer the significance value is to 0.000, the stronger the dependent variables are statistically significant to the independent variable (O’Sullivan, Rassel, and Berner 2003). It indicates the statistical significance of the regression model predicts the outcome variable significantly well. Here, $P < 0.0002$ which is less than 0.05 and indicates that, overall, the model applied is significantly good enough in predicting the outcome variable. The Mortality rate is statistically significant by the net ODA received.

Universal Primary Enrollment & Completion Rate

Figure 4. Net ODA Received per Primary Enrollment.



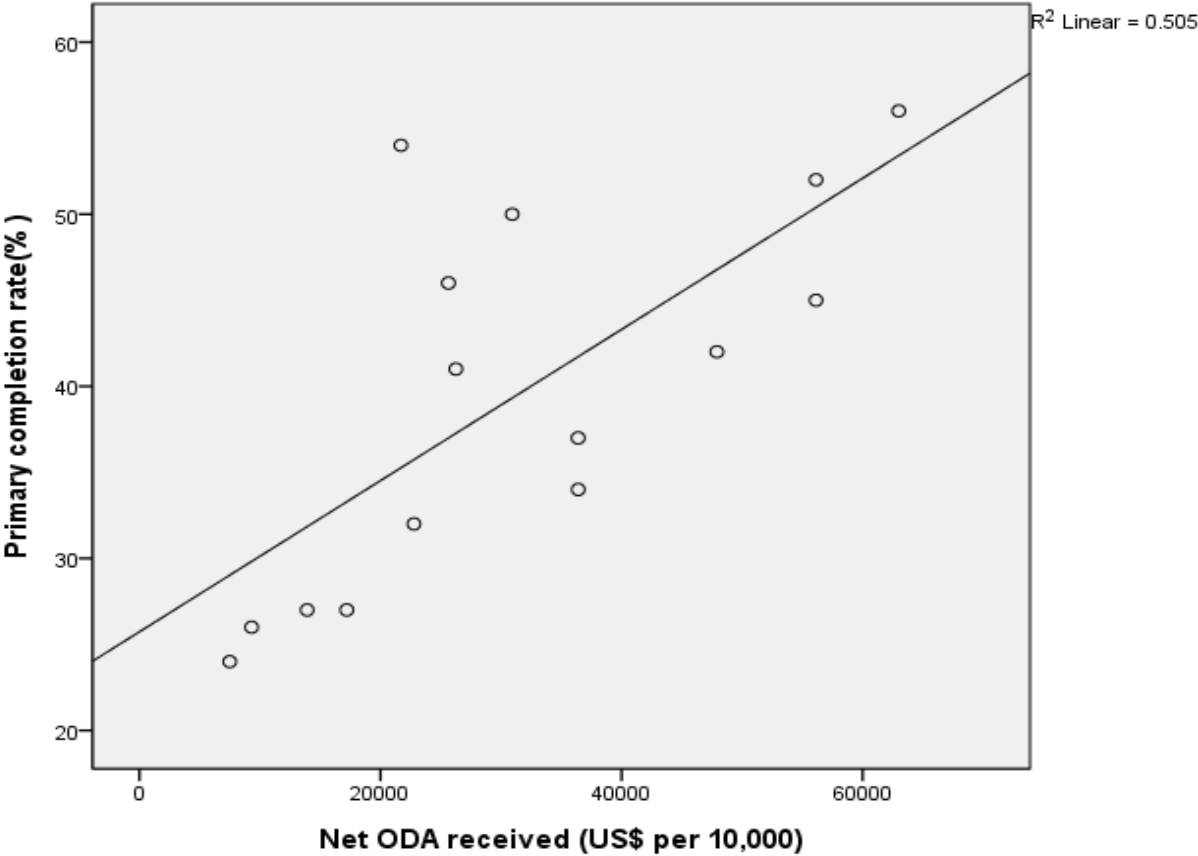
Source: World Bank & OECD. 2011-1990. Net ODA Received per Primary Enrollment.

Based on values from Table 3 the regression equation for primary enrollment would be:

$$\text{Primary enrollment} = 33.5 + 0.002(\text{Net ODA received})$$

Values from Table 1 shows us that $R^2=0.916$ which indicates that there is strong fit between total primary enrollment and net ODA received and the dependent variable, primary education can be explained by 50 percent or more by the net ODA received by Burundi. Table 2 shows us a significance number of .000, which points us to a strong significance. The primary completion rate is statistically significant by the net ODA received.

Figure 5. Net ODA Received per Primary Completion Rate.



Source: World Bank & OECD. 2011-1990. Net ODA Received per Primary Completion Rate.

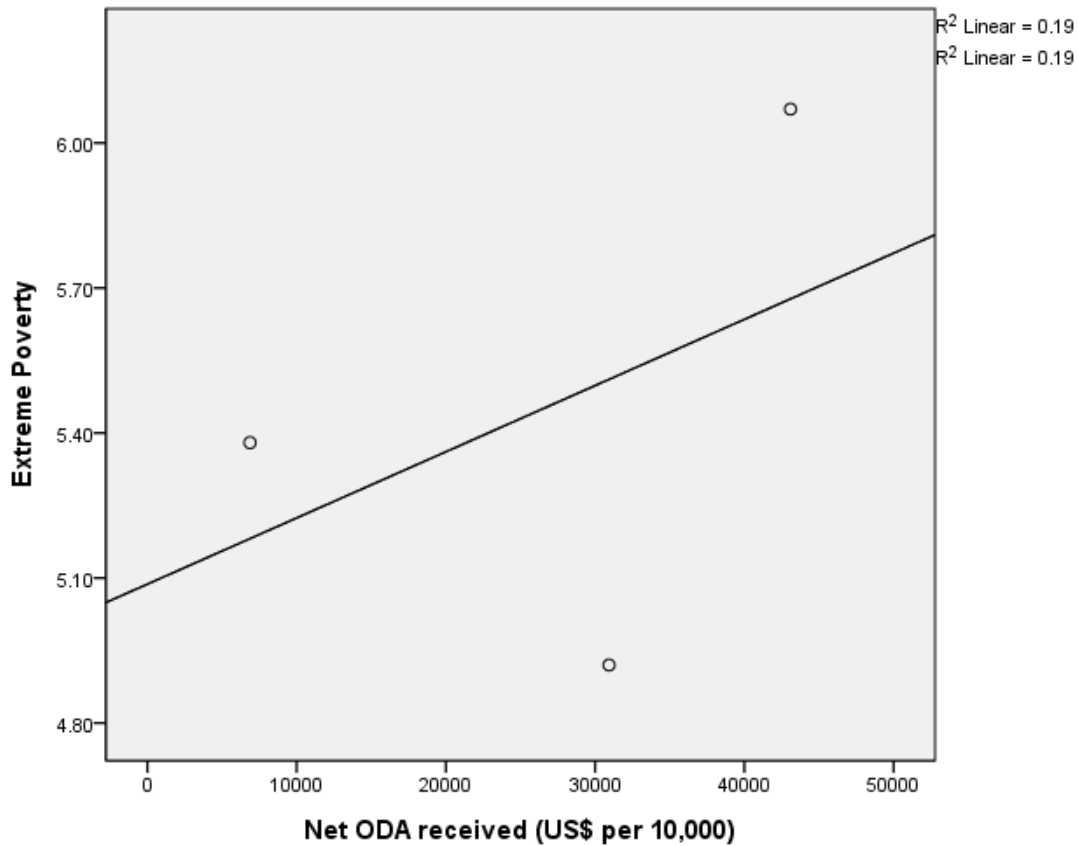
Based on values from Table 3 the regression equation for primary completion rate would be:

$$\text{Primary completion rate} = 25.7 + 0.000(\text{Net ODA received})$$

Values from Table 1 shows us that $R^2=0.505$ which indicates that there is strong fit between total primary completion rate and net ODA received and the dependent variable, primary completion rate can be explained by 50 percent or more by the net ODA received by Burundi. Table 2 shows us a significance number of .003, which points us to a strong significance ($> 0.5 =$ strong fit with more than 50%). The primary completion rate is statistically significant by the net ODA received.

Extreme Poverty

Figure 6. Net ODA Received per Extreme Poverty.



Source: World Bank & OECD. 2011-1990. Net ODA Received per Extreme Poverty.

Based on values from Table 3 the regression equation extreme poverty would be:

$$\text{Extreme poverty} = 5.1 + 1.36(\text{Net ODA received})$$

Values from Table 1 shows us that $R^2 = 0.190$ which means that there is modest to poor fit of around than 11 to 30 percent fit between total extreme poverty and net ODA received. Here, Table 2 indicates a significance number of .713 which is above 0.05 and indicates that; overall, the model applied here is not statistically significant. Net ODA received is not good enough in predicting the outcome variable, extreme poverty. Extreme poverty is statistically not significant by the net ODA received.

Table 4. Pearson Correlation Analysis of the Three Millennium Development Goals- Child Mortality, Extreme Poverty, and Primary Completion Rate.

		Correlations			
		Net ODA received (US\$ per 10,000)	Primary completion rate(%)	Mortality rate, under-5 (per 1,000)	Extreme Poverty
Net ODA received (US\$ per 10,000)	Pearson Correlation	1	.711**	-.643**	.436
	Sig. (2-tailed)		.003	.002	.713
	N	21	15	21	3
Primary completion rate(%)	Pearson Correlation	.711**	1	-.017	. ^a
	Sig. (2-tailed)	.003		.951	.
	N	15	15	15	1
Mortality rate, under-5 (per 1,000)	Pearson Correlation	-.643**	-.017	1	-1.000**
	Sig. (2-tailed)	.002	.951		.005
	N	21	15	22	3
Extreme Poverty	Pearson Correlation	.436	. ^a	-1.000**	1
	Sig. (2-tailed)	.713	.	.005	
	N	3	1	3	3

** . Correlation is significant at the 0.01 level (2-tailed).

a. Cannot be computed because at least one of the variables is constant.

Correlations are used to examine the relationship between two interval/ratio variables (O'Sullivan, Rassel, and Berner 2003). Furthermore, Pearson's correlation indicates the direction and the strength of the relationship between the two variables. If Pearson correlation (r) is equal or higher than 0.700, it means that there is a very strong positive relationship between the two variables studied. It also means that changes in one variable are strongly correlated with changes in the second variable. If r values are between 0.690 and 0.400, it means that there is strong positive relationship. In this study, Pearson's r is equal to 0.711 for primary completion rate and indicates that; overall, there is very strong positive relationship between the net ODA received and primary completion rate. The Pearson value r for extreme poverty is 0.436 indicating a strong positive relationship between net ODA received and extreme poverty. The Pearson correlation value for mortality rate is negative (-) 0.643, which means that when one variable increases, the second variable decreases in value. It can be concluded that when the net ODA received increases, the mortality rate decreases.

The Significant (2-Tailed) value indicates that there is a statistically significant correlation between the two variables (O'Sullivan, Rassel, and Berner 2003). The significant (2-Tailed) values match the significant values found in Table 3. The significant value for mortality rate indicates that it is statistically significant by the net ODA received. The primary completion rate is statistically significant by the net ODA received as well, and extreme poverty is statistically not significant by the net ODA received.

Estimated Results

Child Mortality

The results show that foreign aid received by Burundi helps and has positive impact in reducing child mortality. In 1990, the child mortality rate was at 183 children out of 1000 births compared to 139 children out 1000 births in 2011. The mortality rate is falling and has improved since then, but it is falling quickly enough to reach the target of reducing by two third the under-five mortality rate? By 2015, the mortality rate should reach 122 children out of 1000 children born. If Burundi decreases its child mortality rate by 2.44 each year in 25 years it would reach its target by 2015. At the current rate, the country can miss the target set by the MDG of the United Nations. The country has accomplished decreasing it child mortality rate by 76 percent since 1990. Foreign aid has not been effective at reaching the goal but has a significant impact on the decrease of child mortality.

According to the Poverty Reduction Strategy Paper II, published by the IMF in 2012, mortality rate remains high even though it is decreasing. The mortality rate has significantly improved by declining from 176 deaths per 1000 in 2005 to 96 deaths per 1000 in 2010 but continues to be high and the report predicts that Burundi will not be reaching the MDG target by 2015 as well. The paper states that the causes of a high mortality rate are malaria that accounts for 74 percent of morbidity at all ages; acute respiratory infections affecting more than 17 percent of children; and diarrhea affecting 25 percent of children (IMF 2012). Another reason is the number and quality of healthcare staff that are insufficient to meet the needs calculated on the basis of international standards (IMF 2012). The 2012 PRSP-II also states that major reforms were undertaken to decentralize and offer free healthcare for children under the age of five years

old and pregnant women to help with the mortality rate but the reforms still has not produced results.

Universal Primary Enrollment & Completion Rate

There is a strong significance between foreign aid and primary school enrollment as well as with primary completion rate. The analysis demonstrates that foreign aid helps with the total number of students enrolled in primary school and the total number of students completing primary school. It also shows that foreign aid has a positive impact. In 1993, 52 percent of children in Burundi were enrolled in primary school compared to 99 percent in 2009. The analysis also shows us that there is an important increase of enrollment from 2005 to 2006, from 63 percent to 82 percent respectively. The increase continues until reaching 99 in 2009. The phenomena can be explained by the fact that when the current president, Pierre Nkurunziza, took power and he had a strong commitment to improving health and education in Burundi. He removed the primary school fees in September 2005 causing a large increase in first grade enrollment (Nielson and Madani 2010). One cannot forego to question if it is foreign aid that helped to increase the primary school enrollment or if is it the reform undertaken by the current president in 2005. The answer to the question is beyond the study scope of this case study but there has been a tremendous improvement in primary school enrollment.

If the MDG of primary education was based on the number of primary school enrollment, the target would have been reached by 2015. Nonetheless, the goal is to ensure that all children are able to complete a full course of primary school, why is it important to look at the primary completion rate. The primary completion rate increased from 41 percent in 1990 to 56 percent in 2010. Foreign aid has an impact of the number of children finishing primary school based on the

analysis but is not effective enough to reach the goal set by the MDG, which is for all children to finish primary school and not 56 percent of them. The MDG target is to ensure that by 2015, children everywhere, regardless of sex, will be able to complete a full course of primary school (United Nations 2012). A correlation can be seen between foreign aid and both the primary school enrollment and primary completion rate. Data was missing for the two indicators from 1994 and 1998 (see Figure 1) and net bilateral and total ODA aid flow had also considerably decreased during approximately the same period (see Figure 2) showing us that foreign aid helps in increasing the number of children enrolled and the number of children finishing primary school but is not effective at achieving the goal of universal primary school. The enrollment of children in primary school can be compared to the outcome and the completion rate can be compared to the impact. Since effectiveness is reaching the impact of having all children finish primary school, foreign aid was not effective at reaching the goal. Going at this rate Burundi will also not be able to achieve the goal of ensuring that all children complete primary school by 2015.

The PRSP II paper also agrees that the elimination of primary education fees have brought significant improvement in access to primary school. The improvement has especially been seen in girls, who now equal the boys in number in primary schools (IMF 2012). Yet, the report concludes that the outcomes are still below target. In 2009/2010, around 47 percent of children did not complete primary school even though the total enrollment had increased and that under these conditions, the MDG goal will not be met by the planned date of 2015. Since the UN MDG program impact of having children that will complete primary school will be less likely to struggle with poverty in the future has not been met; foreign aid has helped in increasing the total

enrollment number and the total completion rate but was not effective enough to meet the impact of the goals set by the United Nations.

The number one cause, according to the PRSP- II of not completing primary school is the proportion of primary school repeaters. One primary school student out of three is bound to repeat school every year (IMF 2012). Due to this fact, progress of having children complete primary school is not on target with the sector development plan for education and training. Unfortunately, according to the report the repetition rate is climbing instead of decreasing which also causes a discouragement in students and an incentive to drop out of school; thus not improving the quality of learning too. The report also found an imbalance of government resource allocation, resulting in significant regional disparities in terms of enrollment and retention rates (IMF 2012). Foreign aid is effective at impacting the enrollment rate of primary school but not the completion of primary school. It has helped in increasing the number of girls enrolled and equaling the number of boys but stronger reforms need to exist to restore the disparity of resource allocation in all the regions of Burundi.

Extreme Poverty

The findings show that there is moderate to low correlation between poverty and foreign aid. The net ODA received is not good enough in predicting the outcome variable, extreme poverty. The results also predicted that extreme poverty is statistically not significant by the net ODA received. The extreme poverty variable was the least impacted by foreign aid compared to the two other variables studied. This outcome could be explained by the limitation of data on extreme poverty. Only three figures from three different years were found in all 21 years studied. The assessment of the net bilateral and total ODA aid flow in Burundi shows a significant

decline in foreign aid between the years of 1996 to 2000 which correlate with the suspension of donor support during the civil war of 1993 (Nielson and Madani 2010). During the same period, a shift downward of the population living below the poverty line was also noticed (IMF 2012). According to the IMF report, this period of aid suspension could be associated to the fact that the poverty rate reached 60 percent in 2001, real income per capita in Burundi also dropped a staggering drop of half of what it was- \$110 a year (IMF 2012). Larger numbers of people were displaced as well during the same period due to the civil war. It has to be noted that most Burundians depend on agriculture to survive which accounts for roughly half of Burundi's GDP (IMF 2006).

Based on the secondary data analysis in this study, it could be concluded that foreign aid is not effective at helping eradicate poverty. The target was to “halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day” (United Nations 2012). According to the World Bank data, the researcher found that the number of poor people living at \$1.25 a day did increase from 4.92 million in 1992 to 6.07 million people in 2006. A portion of the increase could be explained by the population growth or the 1993 civil war but after 2001, foreign aid was not effective at reducing extreme poverty. The limitation of data makes it difficult to conclude and assess if foreign aid had any impact at alleviating extreme poverty. The PRSP-II also had difficulties assessing the actual poverty situation in Burundi which was also hindered by a lack of data. The only point of reference for poverty analyses, the report used was the rate of poverty in 2006 which was at 67 percent. According to the PRSP-II, the most plausible explanation for the lack of per capita wealth creation between 2006 and 2009 is the unpredictability and low wages of jobs on the labor market to households, especially those living in rural areas. Jobs opportunities for the labor force lie mainly in agriculture and the informal

sector in Burundi. “For the labor force of persons between ages 15-64, most job opportunities come from the agriculture sector, which is unstable and uncertain in terms of productivity and wages” (IMF 2012,33). According to the report, 70.4 percent of persons aged 15-64 worked in agriculture in 2009 compared to 62.4 percent in 2006. The implementation of PRSP-I proved significant progress in reducing unemployment for ages 15-64 relative to the situation in 2006.

The empirical results obtained clearly show an impact of foreign aid on the three variables. Progress was especially made in the education sector, with the government institution of making primary school free for children helping with the primary enrollment. Encouraging results were seen in the equal number of girls to boys enrolled in primary school as well. Similarly, the mortality rate has tremendously decreased even though the MDG target is not likely to be met. Foreign aid was not effective at reaching the goals but did have a significant impact on the failing of child mortality. Others factors have to be considered in evaluating these MDG such diseases and government resource allocation. The PRSP-II also predicts Burundi not to fully reach at reducing mortality for children under 5 and eliminating extreme poverty and hunger by 2015.

RECOMMENDATIONS

For the government of Burundi to be able to meet these three MGD goals in the near future, it will have to have an evaluation system of how foreign aid is allocated and the impact the aid has. This evaluation system would give Burundi more accreditation to its donors as well. These program evaluations should help assess whether or not foreign aid is unquestionably effective at alleviating poverty in Burundi. There should be clear statements of how foreign aid was distributed in different sectors in the Poverty Reduction Strategy Papers. These papers

would help donors, researchers, and scholars easily evaluate the effectiveness and efficiency of foreign aid. As Deutschen and Fyson, 2008 have also recommended, the focus should be on improving aid effectiveness rather than the attribution of the aid. Donors should emphasize their attention on achieving results rather than requiring recipients' countries to follow their respective procedure and standards. Political leadership and demand for aid effectiveness in the recipient country should be required too.

There should also be a two-way accountability between the donors and Burundi. If donors could be matched to recipients to reduce aid fragmentation, it would be much easier and helpful to assess the effectiveness of aid. It would also be easier for the recipient country to be more responsible and accountable with the aid. Timely commitments and disbursements of aid by donors are important too, and of course the government of Burundi would also need to strengthen its capacity and mechanisms for donor coordination.

The government should also strengthen programs to improve the population health, create job opportunities, and improve the management of resource allocation to all regions of Burundi for education. The population should have easy and quality access to healthcare to decrease child mortality. Nationwide programs should be developed to train enough healthcare staff to meet the needs of the population; disease prevention programs should be developed as well to decrease malaria and acute respiratory cases that are the major causes of the high mortality rate. Similarly, the government should establish policies and programs to reduce the repetition rate in order to increase the completion rate in primary school. The imbalance of government resource allocation should be effectively managed to decrease the disparities of primary school enrollment rates. Management of resources should be improved for greater effectiveness, efficiency, and equity in resource allocation and use in all sectors. If the government was required to publish the

allocation of foreign aid in the poverty reduction strategy papers, it would be more accountable and more transparent. These papers bring light to how many people still live in poverty, what needs to be done, and the progress that has been made; which are major steps in the right direction to reduce poverty but they could be more prolific if evaluations programs were instituted in these papers.

Foreign aid and international relief programs can help temporarily in alleviating poverty but if institutional reforms that ensure sustained economic development are not in place in Burundi, it is going to be difficult to completely eradicate poverty. In my opinion, effective economic and political reforms are necessary in Burundi to help with poverty reduction. The government should be able to create business and markets in the process of economic development. Djankov, Montalvo, and Reynal-Querol (2006) study demonstrated that aid had a negative impact on democracy and economic growth. They proved that foreign aid has a negative impact on the level of democracy in the recipients' countries and that unconstrained aid flows tend to be consumed rather than invested by the government. I think the government should be able to define its own priority and rely on its own systems to deliver foreign aid and be less dependent on foreign aid in the future to increase its investment.

The goal of public administration is to advance management and policies to enable the government to function efficiently and effectively (Rabin, Hildreth and Miller 1989, iii). It involves the implementation of public policies and programs and the study of government decisions making. The field of public administration rest of four main principles that are referred to as the 4 E's, Economy, Efficiency, Effectiveness and Social Equity. All are intertwined and have helped me analyze this case study with effectiveness being at the core of the analysis but also social equity since it involves the ability of the government to provide services equally and

fairly to all citizens. Poverty is a contemporary and pressing public issue that needs immediate attention as it should be unacceptable for the 21st century. This paper is my attempt to bring light to what needs to be done to eradicate poverty, whether funds are allocated effectively, efficiently, and equally to help all Burundians; but it is also my attempt to voice the concern of a portion of population, the poor, that cannot do it by themselves and study which policies are needed to eradicate poverty. “Public policy is what public officials within government, and by extension the citizens they represent, choose to do or not to do about public problems” (Kraft and Furlong 2010, 5). Public policy analysis involves a rigorous search of the causes and consequences of public policies (Kraft and Furlong 2010, 9). Burundi needs strong and reliable policies that can administer effectively foreign aid and accomplish what they are intended to, thus the importance of policy analysis and evaluation.

Quantitative research enabled me to construct the several statistical models included in this study and to explain what was observed. The Statistical Package for the Social Sciences (SPSS) software was a very useful tool as it helped me generate the comparison study between foreign aid and the three MDG indicators by using simple regression for the analysis. The findings in this study raise the need for Burundi to evaluate policies and programs to eradicate poverty. The MPA program taught me to analyze and identify what good governance was about and apply it to this study. “Good governance is the ability of public institutions to conduct public affairs and manage public resources in order to guarantee the realization of human rights” (United Nations 2012b). Managing public resources is part of the public service budgeting course, which covers how money should be allocated to public programs within a definite time period. “Budgeting also means examining how an organization’s resources have been used in the past, analyzing what has been accomplishing and at what cost, and charting a course for the

future by allocating resources for the coming budget period” (Lee, Johnson and Joyce 2008, 2). Why studying the effectiveness of foreign aid or the allocation of it is important. I have learned by taking public service budgeting how difficult it can be to allocate funds to different programs more than ever for a country that relies heavily on foreign aid.

CONCLUSION

This paper examined the issue of aid effectiveness in Burundi using three United Nations Millennium Development Goals as indicators. The study was based on two measures of aid – total bilateral and total net official development assistance aid flows to Burundi. On an annual basis, expect for a few years both net official development assistance and net bilateral aid inflows to Burundi increased throughout the years of study. The study showed that foreign aid has a positive and significant impact on child mortality and primary education. The effectiveness of aid was inconclusive for extreme poverty due to the limitation of data. It is predicted that Burundi will not fully reach the target of reducing mortality for children under 5, eliminating extreme poverty and hunger and ensuring all children complete primary school by 2015.

Thus, for now, aid matters for Burundi’s economic and human development growth. There is, however, a need for the government to strategize and manage aid allocation effectively, efficiently, and equally. The government will also have to develop strong economic and political reforms to eradicate poverty and stop relying on foreign aid.

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