



Development
Researchers'
Network

General Budget Support

Aid effectiveness: Ownership, Partnership and Accountability

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Vienna, 5 December 2006

overview of presentation

The Study

- joint donor (+government) study
- rigorous methodology, 18 month study
- seven countries, 1994—2004:
Burkina Faso, Malawi, Mozambique, Nicaragua, Rwanda, Uganda, Vietnam

Presentation

- theory and practice of budget support
- scope of the evaluation
- principal findings
- focus on ownership and accountability
- implications

what is general budget support (GBS)?

- ❑ Unearmarked funds to government budget
- ❑ Using government systems
- ❑ Complementary inputs:
 - ❑ dialogue and conditionality
 - ❑ harmonisation and alignment
 - ❑ technical assistance and capacity building
- ❑ Focus on *partnership* GBS
 - ❑ new style of conditionality (?)
 - ❑ support to poverty reduction strategy
- ❑ Identified via country-level inventories
 - ❑ overlap with “sector budget support”

theory of budget support

- Greater aid effectiveness, e.g. by
 - Supporting nationally owned strategies
 - local solutions, local accountability
 - Lower transaction costs from
 - harmonisation and alignment among donors
 - using government disbursement systems
 - Strengthening budgets and policy by increasing discretionary resources
 - systemic strengthening of planning & budget system
 - more efficient public expenditure

what did we find to evaluate?

Partnership GBS flows (Table 3.3)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total	%
Total Partnership GBS disbursements (USDm)													
Burkina Faso								82	109	144	165	500	13%
Malawi							58	48	0	14	28	148	4%
Mozambique							30	88	101	154	239	611	16%
Nicaragua									6	8	63	77	2%
Rwanda							14	37	33	34	130	248	6%
Uganda					66	39	176	311	369	405	409	1,775	45%
Vietnam								150	123	140	157	570	15%
Total	-	-	-	-	66	39	277	717	741	899	1,191	3,930	100%
percent of sample	0%	0%	0%	0%	2%	1%	7%	18%	19%	23%	30%	100%	

- illustrative sample of countries
- large volume, but recent, uneven distribution of PGBS
- useful contrasts in “penetration”
(e.g. Uganda vs. Vietnam, Nicaragua vs. Mozambique)

Mozambique

- Evolution of PGBS
 - PRSP – national strategy on which donors could align aid (2001)
 - common framework agreement (2000), Memorandum of Understanding (2004)
 - from 6 donors, to 10 (2002), 15 (2004), 17 (2005)
 - USD 30m (3% official aid) (2000), USD 239m (19% official aid) (2004)

- PGBS: focus for coordinated and coherent structure for government-donor collaboration
 - joint reviews
 - thematic and working groups
 - jointly agreed Performance Assessment Framework

- Important for all donors and national stakeholders

overall assessment

- Positive assessment in 5 of 7 countries
 - Nicaragua – too early
 - Malawi – false start (budget indiscipline, low trust)

- Strategic effects
 - support to “pro-poor” expenditure and implementation of Poverty Reduction Strategies
 - contribution to total aid flow effects, reinforces existing stability and discipline

- Does GBS reduce poverty?
 - Caveats:
 - problems of data, time scale, correlation vs causality (not unique to GBS)
 - form vs. content of PGBS: support to evolving PRSs
 - Conclusions:
 - weak effect on income poverty (indirect, via macro effect)
 - stronger effect on basic services (limited by quality and targeting issues)
 - weak empowerment effects (but early..)

- Positive assessment based on systemic effects

systemic effects of budget support

- Influence on discretionary expenditure
 - more funds “on budget” if not more funds in total
- Public finance management
 - Bringing discretionary funds on budget, and using government systems does have the anticipated effects on ownership and system strengthening.
- Capacity development
 - TA and capacity building are the least well specified or coordinated inputs of PGBS.
 - Nevertheless, complementary effects on system development.
- Efficiency of expenditure
 - gains in allocative and operational efficiency
 - efficiency improvements benefit other modalities
 - lower transaction costs for government

effects on aid delivery

- ❑ Supports harmonisation and alignment. Interacts with other modalities.
- ❑ Important interactions include:
 - Increased policy coherence across sectors.
 - PGBS flexibility improves expenditure efficiency across all funding sources.
 - General benefit of strengthening PFM (public finance management).
 - Complementarity between PGBS and other instruments (e.g. on cross-cutting issues, capacity building, corruption).
 - PGBS benefits (e.g. on efficiency and t-costs) are diminished when off-budget modalities persist.
- ❑ Potential complementarities are not very systematically exploited.

ownership, accountability – *partnership?*

- **GBS has strengthened government ownership in four of seven countries.**
 - More funds on-budget, more discretion focused on own strategy, strengthened public finance management.
 - Change in dialogue and conditionality *but more in the eyes of donors?*
 - Clearer joint alignment with national strategies *but how well owned are national strategies?*
 - Strengthened national systems, policy-making and budget control *but weak link of policy to expenditure planning and continued weak capacity.*

- **Limited effects so far on domestic accountability.**
 - Focus on quality of government systems, strengthened scope.
 - Weak parliamentary scrutiny and civil society engagement.
 - Risk that donor accountability dominates but domestic and donor accountability can reinforce each other – not a trade-off.

What is to be done?

GBS offers compromise between ownership and conditionality - ownership with influence

- need for donors to restrain influence

Performance targets based on government strategy

- a management tool not disbursement condition

Joint accountability for agreed conditions and targets

Mutual accountability

- important (potential) change in relationship between partners.

Long term donor commitment and trust

- formal agreement of principle
- predictability of flow of funds
- donor capacity and decentralisation

Coherent government capacity development

Thank You

