

Aid effectiveness and mutual accountability

Some thoughts

Carlos Nuno Castel-Branco

Beira, 06-09-2007

General Budget Support - Introduction

- Covers
 - One third of aid flows
 - Only 18% of the budget
- Majority of the 17 donors providing budget support deliver most of their aid outside GBS
- Thus, budget support and mutual accountability is still a limited exercise (smaller number of donors and smaller share of aid flows)...
- ...but even outside GBS there is a mood to move towards more alignment, harmonization and coordination.

Why GBS?

- Limited view:
 - Accountability to donors
 - Management of moneys – transaction costs, transparency.
- Broader view:
 - Ownership and leadership and power
 - Sustainability of planning and financial processes
 - Strengthening of endogenous policy processes
- Is aid more effective through GBS? More effective than what? More effective at what? What are the mechanisms of effectiveness and improving effectiveness?

Challenges and Implications of GBS - Donors

- Trust government PFM systems.
- Accept to loose control over specific allocation of its own money.
- Adopt strategy to strengthen government
- Fundamentally, approve government strategies and policies – involving negotiation, of course – or else leave.
- Increase technical and institutional skills and capacity in the field and decentralise more.
- Change focus
- Political implications at home

Challenges and Implications of GBS - Government

- Good PFM systems.
- Capacity (staff, organization, institutions, management systems...):
 - Technical
 - Policy oriented
 - Monitoring
- Articulation and focus
- Courage to take leadership, make choices
- Political risks

What would “more effective aid” look like?

- Elimination of aid dependency...
- ...implying sustainable economic strategy and public expenditure being built with the help of aid...
- ...hence, the need to focus on quality, financial sustainability and capacity to deliver and promote sustainable economic growth and development.
- What is the best modality to address these issues?
Can these issues be addressed mainly through changing aid modalities?
- Modalities matter, but what matters the most is how aid helps to create the extra capacities and resources that will make aid redundant.

Experiences

- Mozambique: Mutual accountability based around
 - PAPs' group
 - MoU and its mechanisms
 - Move towards more alignment and harmonization at high transaction costs
 - Move towards GBS
- Tanzania:
 - ODA strategy that defines rules of engagement and priority areas
- Uganda:
 - From financial discipline to the banalisation of “ownership”

Experiences

- Vietnam:
 - Significantly less dependent
 - Government policies drive
 - Relationship with donors is different.
- Afghanistan
 - Highly politicised aid environment
 - Clear expectation that aid will go away
 - Thus, focus is not on maximising aid quantity but maximising aid effectiveness from the point of view of reducing aid dependency
 - Priorities: (i) remove obstacles for donors (PFM); (ii) strong rules of engagement played in a intelligent manner – show a and encourage a different way rather than banning one way.

Which ways should you follow?

- You have subscribed the Paris Declaration and the MoU and, in doing so, you have subscribed to an attitude and way of doing things;
- Now, you have to do it but in an intelligent manner – for example, look at different speeds and paths; consider that if government had all capacities you demand (for leadership, ownership, and so on), the GoM would not need you here in first place; think of cheaper and more efficient ways of coordination (if you can avoid a bureaucratic process do so);
- But you have a commitment, right?