

4. How does General Budget Support affect ownership and accountability?



The Joint Evaluation of General Budget Support 1994–2004: Thematic Briefing Papers

In 2004 a group of 24 aid agencies and 7 partner governments commissioned a joint evaluation of General Budget Support (GBS). Its purpose was:

to assess to what extent and under what circumstances GBS is relevant, efficient and effective for achieving sustainable impacts on poverty reduction and growth.

This independent study was led by the International Development Department of the University of Birmingham. Its outputs are seven country case studies – for Burkina Faso, Malawi, Mozambique, Nicaragua, Rwanda, Uganda, and Vietnam – and a Synthesis Report.

This Briefing Paper explains the evaluation's findings and recommendations as they relate to ownership and accountability. It was drafted by Richard Batley.

What was evaluated?

Partnership General Budget Support

General Budget Support (GBS) is aid funding to government that is not earmarked to specific projects or expenditure items. It is disbursed through the government's own financial management system. The finance is accompanied by other "inputs": conditions and procedures for dialogue; donor efforts to harmonise their aid and align it with national policies and procedures; and technical assistance and capacity building.

In the late 1990s "new GBS" or "partnership GBS" (PGBS) emerged as a response to dissatisfaction with earlier aid instruments. "Partnership" is contrasted with the imposed conditionality of the structural adjustment era. PGBS is intended to support partner countries' poverty reduction strategies.

The study countries

The study countries were an illustrative, not a representative, sample. Nevertheless, as Box 1 shows, the variety of contexts gave opportunities to draw lessons from contrasts as well as similarities between countries. However, the short history of PGBS limits the scope for robust findings at outcome and impact level.

Ownership, accountability and partnership: what are the issues?

Ownership

Ownership is an elusive term. The Evaluation Team's definition (see Box 2) focused on the relative strengthening of leadership, responsibility and accountability in government by comparison with donors.

A guiding principle adopted by the OECD¹ is that budget support should reinforce such ownership by aid recipient countries. There is recognition that the imposition of conditions by donors on governments has failed to achieve governmental commitment to reforms. Linking support to national Poverty Reduction Strategy Papers (PRSPs) that embody principles of partnership, ownership

and empowerment is seen as an alternative to imposed conditionality. Partnership General Budget Support (PGBS) is essentially an instrument for applying the PRSP approach.

PGBS seeks to bring public resources more under the control of national stakeholders (most immediately, government). This should enhance recipient governments' capacity to make and implement their poverty reduction strategies. The logic of the PGBS approach is that using government systems is a key to improving them. Strengthening the institutions of government is a central objective of PGBS. It implies a broadening of attention from technical improvements focused on specific organisations towards capacity development at system-wide levels.

Thematic Briefing Papers

The full series of thematic briefing papers is:

- 1: What are the effects of General Budget Support?
- 2: When and how should General Budget Support be used?
- 3: How can the risks of General Budget Support be managed?
- 4: How does General Budget Support affect ownership and accountability?
- 5: GBS – Policy Questions and Answers
- 6: GBS – General Questions and Answers

Briefing Papers on the Synthesis Report and each of the country studies are also available.

¹ OECD DAC (2005). *Harmonising Donor Practices for Effective Aid Delivery. Volume 2: Budget Support, Sector Wide Approaches and Capacity Development in Public Financial Management. DAC Guidelines and Reference Series.* Paris: OECD.

Box 1: Country Contexts and PGBS Flows

	Country Context					PGBS				
	Size	Aid Dependency		Government Capacity		Duration		PGBS "volume"		Donor Involvement
	Population (millions) in 2000	GNI per capita (USD) in 2000	ODA as % GNI in 2000	CPIA Quintile in 2003	CPIA change from 1999 to 2003	Starting year for PGBS	Flows up to 2004 (million USD)	PGBS as a share of ODA in 2004	PGBS per capita (USD, cumulative)	No. donors providing PGBS in 2004
Burkina Faso	11.3	250	12.9	2	+1	2001	500	25%	44.3	7
Malawi	10.3	170	26.1	3	-1	2000	148	5%	14.4	3
Mozambique	17.7	210	25.4	3	-1	2000	611	19%	34.5	15
Nicaragua	5.1	740	15.0	1	+1	2002	77	4%	15.1	3
Rwanda	7.7	260	17.9	3	0	2000	248	26%	32.2	4
Uganda	23.3	270	14.3	1	0	1998	1,775	31%	76.2	16
Vietnam	78.5	380	5.5	1	+2	2001	570	8%	7.3	9

Source: *Synthesis Report, Tables 3.1-3.5 and Figure 3.1*

Notes: The World Bank's Country Policy and Institutional Assessment (CPIA) tool assesses each IDA Country's present policy and institutional framework for fostering poverty reduction, sustainable growth and ability to use development assistance effectively.

Box 2: Criteria of ownership

National **ownership** is greater where government is the locus of initiative for programme formulation and implementation, key policy makers are committed to reform, political will is expressed in concrete actions, and there is civil society participation in policy making.

Source: condensed from Box 5.4 and Box 5.11 of the *Synthesis Report*.

By comparison with a situation of donor control and imposed conditionality, PGBS is expected to lead: (i) government to respond more clearly to the agenda of national principals (citizens and politicians), and (ii) core government bodies (finance and planning) to more effectively manage the actions of policy agents (line ministries, local government and non-state actors) by controlling the incentives to which they respond. This is expected to help to overcome the typical perverse incentives (motivational and informational) of traditional aid.

Accountability

Recipient governments are expected to match ownership with improved accountability to their own citizens. PGBS is based on the idea that operating through national systems will, amongst other things, increase the scope for democratic and administrative accountability.

At the same time, donors remain accountable to their citizens for the use of aid funds, and want to be sure that recipient countries respect commitments to reforms.

Partnership

PGBS is a way of doing business – a relationship – which has to be built on a clear understanding of the motivations of both sides. A litmus test of partnership is whether it involves a genuine collaboration or the imposition of one side's preferences upon the other. Here the concepts of conditionality, dialogue and mutual accountability are crucial.

Traditional conditionality made governments accountable to donors for the fulfilment of conditions for donor funding, in terms of policy and structural reforms. A step-change in the nature of dialogue and conditionality is supposed to be a defining characteristic of PGBS. Support for government-owned

poverty reduction strategies is meant to replace attempts to impose external solutions through conditionality. Through dialogue, governments and international partners are supposed to arrive at shared policy and reform objectives (see Box 4). In a more balanced relationship, accountability for performance may flow in both directions (the mutual accountability of Box 3).

What are the challenges for assessment?

Challenges

The evaluation notes that the observation of ownership (and partnership and accountability) and conditionality is difficult:

- In all cases there are incentives for parties to say what their partners or principals want to hear.
- There are different degrees of ownership: particular policies may be owned (or owned more strongly) by certain organisations, interests or individuals, and ownership (as manifested in the commitment to implementation) may wax and wane over time, sometimes for quite extraneous reasons. See Box 5 for an example from Uganda.
- Conditionality is easier to model and analyse in simple versions (one party imposing actions on the other) that bear little resemblance to the complexity of PGBS in practice. When the dialogue between government and partners is wide-ranging – with discursive debates on policies, mutually agreed targets, and mutual assessment of performance – 'conditions' merge into the general policy process.

Box 3: Types of accountability

Accountability: The study distinguishes between accountability mechanisms that operate on a 'vertical' axis (external mechanisms used by non-state actors and their representatives to hold power holders to account) and those that operate on a 'horizontal' axis (institutional oversight, checks and balances internal to the state). In addition, the idea of partnership assumes a level of 'mutual accountability' of government to donors and vice versa.

Source: condensed from Box 5.4 and Box 5.11 of the *Synthesis Report*.

Box 4: Is conditionality consistent with partnership?

The classic function of conditionality is to induce agents to do something they would not otherwise do. This version of conditionality is clearly incompatible with partnership. However, conditions (and associated performance indicators) have a number of other potential roles. They may serve as signals to various parties, or as a means of prioritising, or as a means of shifting the balance of influence between agencies and actors.

Conditionality cannot (for long) impose donor strategies on unwilling governments, but in areas where there is an overlap of interests, international partners and (reformers within) governments can work together towards common objectives. Agreed performance targets and conditions then serve as signals. One purpose of such signals is to reassure remote financiers that progress is being made and their funds are doing something useful.

By prioritising, and setting deadlines that have consequences, such “conditionality” creates managerial, not political, pressure. It focuses on the when and how, not the what of reforms. If it works, it helps to maintain the pace of reforms, although it does not create the will to implement them.

The evaluation found significant changes in the approach to conditionality under PGBS. However, there is a spectrum, not a sharp divide, between “old” and “new” conditionality, and different parties disagree about what conditionality is for and how much it has really changed.

- Standard evaluations of conditionality stop at whether agreed actions are performed, not whether they then have the effect that was expected.

The evaluation team’s approach

Written and spoken statements of policy and commitment, although relevant, cannot be taken at face value. They need to be probed, triangulated and, above all, tested against the record of action and performance. Reviewing the history of donor–government relationships can also offer a dynamic view of the ‘emergence’ of ownership, particularly where critical incidents signal a change in the balance of power. The study’s findings about

ownership are based on careful review of all these factors.

What effects on ownership, partnership and accountability were found?

Strengthening of national ownership: systems

There is clear evidence from the study countries where a substantial PGBS flow has been established that PGBS can have the anticipated effects on ownership and the strengthening of systems. The evaluation found PGBS has strengthened national ownership in Uganda, Mozambique, Burkina Faso and Rwanda (see Box 6).

In Vietnam, however, the national government already has a strong track record on poverty reduction and macroeconomic management, and a high level of domestic ownership over its development programme. PGBS did not strengthen ownership, but there was a shift in aid management relations which are now based more on partnership principles, as PGBS provides a mechanism for donors to engage in high-level policy dialogue with the government.

Finally, in Malawi and Nicaragua, PGBS during the evaluation period had not extended domestic ownership, as donors had taken the leading role in defining targets and conditions in both of those countries.

Strengthening of national ownership: policy

In all the study countries the evaluation found that PGBS had contributed to greater policy alignment of aid. However, the significance of this alignment depends on the quality and ownership of the government strategies (PRSPs) that donors align with:

- Even where government ownership of the PRSP is strong, its ability to align donors with a clear government strategy may be limited. In Rwanda, for example, some sector strategies in the PRSP are as yet weakly developed. And few PRSPs are properly costed, prioritised or linked to medium-term plans and budgets. This means that policy alignment can be just rhetorical, since donor choices are not disciplined to fit government priorities.
- National PRSPs or their equivalents vary not only in the quality of the document but in the extent to which it is owned and used by government itself. However, in several cases – Vietnam, Mozambique and Nicaragua – the integration of PRSPs with national strategy documents is improving.
- In more than one of the study countries, an incoming government did not accept (“own”), as it stood, an inherited poverty reduction strategy. This is a logical consequence of democracy, but there is an associated risk to PGBS if it becomes too closely identified with a particular individual or regime.

Box 5: Different dimensions of ownership in practice – Uganda

The concept of ownership helps to explain why some interventions succeed and are sustained while others do not. But the country study teams found certain nuances to be important. For example, Uganda’s initial Poverty Eradication Action Plan clearly had strong political ownership as well as technical backing within the finance ministry; later versions are technically more sophisticated but seem to have less political backing from State House; meanwhile, however, ownership of the system of medium-term budgeting, and acceptance of the need to discipline aid within it, has spread to sector ministries. In all of this, the roles of particular individuals, in the finance ministry and elsewhere, have been significant.

Box 6: Countries where PGBS has strengthened national ownership²

Uganda: PGBS complemented the strategic vision for PFM reform that was already being driven by the Ministry of Finance, Planning and Economic Development. PGBS did not introduce the reforms, but it reinforced them. Nonetheless, the effect has been powerful: the evaluation period saw continuing improvements in the scope and depth of domestic medium-term planning and budgeting (e.g. through the increased involvement of parliament and local governments).

Mozambique: The increased volume of budget support and the associated dialogue and conditions of GBS have drawn sector ministries (and partners) further into common strategic processes, while PGBS, and the dialogue around it, is serving as a focus and stimulus for planning and for improved financial management. It has strengthened ownership at the level of the Ministry of Planning and Finance by confirming its role in the national planning and budgeting systems.

Burkina Faso: By increasing the discretionary resource envelope, PGBS has had a definite effect on government ownership of the budget and its commitment to improving it. The nature of PGBS funding has been an important factor: PGBS funding was found to strengthen ownership of the budget process as it passes transparently through it and gives control over resources to government. The government has developed a systematic PFM improvement strategy; this strategy and PGBS have been mutually reinforcing.

Rwanda: PGBS was applied in a situation where human and organisational capacity was being restored after destruction in the genocide, under a government with a strong sense of ownership and purpose. By increasing the volume of funds subject to the national budget, combined with a sense of predictability over the medium term, PGBS had a significant impact on the empowerment of the government. (See also Box 7.)

The preconditions for strengthening ownership

The evaluation concluded that PGBS has strengthened government ownership and accountability in at least four of the seven countries studied (see Box 6). There are no easy answers in terms of the 'preconditions' that have led to this effect but the factors found to be important were:

- Willing partners: the partner government must want to engage in PGBS and be prepared to pursue its own strategy.
- Basic trust between the international partners and government: an historic relationship between government and certain core donors has often been pivotal.
- Significant consensus between government and international partners (and among international partners) about development strategy.
- The scale and ambition of PGBS is tailored to the capacity of

government, rather than overwhelming it with expectations.

Moving to partnership: changes in dialogue and conditionality

A step-change in the nature of dialogue and conditionality is supposed to be a defining

characteristic of partnership GBS. Support for government-owned poverty reduction strategies replaces the attempt to impose external solutions through conditionality. In Uganda, Mozambique, Burkina Faso, and Vietnam the PGBS relationship is clearly different from that which existed under structural adjustment programmes. This is also true for Rwanda (see Box 7). In Uganda, Mozambique, and Burkina Faso, PGBS and the dialogue surrounding it have been pivotal in bringing about change in aid management relationships for non-PGBS modalities as well.

At the same time, the change can be exaggerated. It has tended to be gradual and to be more significant in the eyes of the donors than those of partner governments. Government respondents in Rwanda, Nicaragua and Vietnam, for example, saw less difference between new "performance indicators" and old "conditionality" than did donors (cf. Box 4 above).

Strengthening national accountability

PGBS has had only limited effects on broader accountability and transparency mechanisms. However, the processes surrounding the provision of PGBS can reinforce domestic accountability (e.g. in Mozambique the PGBS Performance Assessment Framework is used for reporting to Parliament).

In principle, channelling aid through the budget strengthens opportunities for parliamentary scrutiny, audit, and

Box 7: Ownership and system strengthening in Rwanda

The psychology of PGBS as an aid form has been extremely important in Rwanda:

- It has focused the attention of both government and partners on government's financial management systems. By using government systems, PGBS has created the motivation for strengthening them.
- Equally, PGBS has strengthened perceptions as well as the actuality of government control over resource allocation. This has boosted government confidence and ownership of the budgetary process.
- In turn this has made government more inclined to self analysis and policy dialogue aimed at addressing weaknesses in resource management systems.
- PGBS inputs in the form of technical assistance, policy dialogue and system alignment have played a key role in helping government develop public finance management.

² The parallel GBS evaluation in Tanzania also supports these findings.

the engagement of the media and civil society. However, proponents as well as critics of PGBS have been concerned that accountability to donors could overshadow accountability to domestic stakeholders. International partners need to be sensitive about becoming too intrusive. Nonetheless, accountability to domestic and international stakeholders may be reconcilable (see Box 8).

What are the challenges for future strengthening of effects on ownership, accountability and partnership?

Government systems: quality and capacity

The accountability effects of increasing the use of government systems and processes depend significantly on their quality in the first place. Where government systems and capacity are weaker, there are practical limits to partner governments' ability to assert ownership. In Mozambique, for example, constrained government capacity to participate in the elaborate joint review mechanism limits the reality and depth of ownership of agreed programmes of action.

It is very difficult to achieve

accountability for results unless the links between policy and strategic expenditure planning are strengthened. Uganda's head-start in medium-term budgeting was a great advantage. Replicating this elsewhere is important, but not easy. It is not just a technical reform, but requires strong leadership on the government side; fiscal discipline is a pre-requisite, and strong institutional incentives are required to overcome budget fragmentation around which vested interests have developed.

It is natural that Ministry of Finance capacity and accountability systems at national level should be a first focus. But there has consequently been a relative neglect of accountability and capacity elsewhere, especially at the decentralised levels where, in effect, most PGBS resources are (or should be) spent.

Tensions between 'owners'

The issues of ownership are more complex than this note can fully represent (cf. Box 5 above). A key observation is that there are tensions between the multiple stakeholders in PGBS which need to be addressed and managed:

- There is tension between a philosophy of "partner government autonomy" and the reality that poverty reduction is often a higher priority for donors than for partner

governments. For partnership to work there must be large areas of overlap between the objectives and policy preferences of both parties. However, the poverty concerns and the policy preferences of donors are not necessarily the same as government's.

- Donors are simultaneously rivals and collaborators with each other; competing but also susceptible to peer pressure. Their ability to pursue consistent long-term strategies may be compromised by short-term management horizons, and rapid turnover of personnel. Even among donors that contribute budget support, some continue to think in terms of old-style conditionality. Ownership of PGBS as an approach is very unevenly distributed within as well as between aid agencies.
- Partner governments are not homogeneous either. There are often strong differences of commitment to making PGBS work within government. Many officials of line ministries would be happier to keep sector and project aid that guarantees their flow of funding. It is important for international partners to have a good understanding of the political basis of the state and government, and hence the potential scope of influence. A common finding was the relative weakness of partners' understanding of political contexts.
- Government ownership and country ownership are not the same thing. This is not to say that PGBS should engage directly with other country stakeholders in the same way as it does with government. However, it is important to seek transparent processes that are open to the participation of stakeholders beyond government.

Ways of managing the tension between ownership and conditionality

International partners face a dilemma between giving government complete discretion in budgeting, or seeking to control the levels and shares of particular expenditure. This is reflected in the persistence of earmarking and separate accounts and budgeting procedures. Unless the earmarking is notional, these threaten the integrity of the national budget process.

Box 8: Accountability is not necessarily a zero-sum game – Mozambique

The weaknesses of the budgetary process in Mozambique are inhibitions on democratic accountability. Above all is the fact that a large part of public expenditure (mostly donor-funded) is off-budget and therefore not subject to either parliamentary scrutiny or external audit. It is also difficult, if not impossible, for the public or parliament to trace connections between what government plans and what it spends.

Commentators, including donors themselves, sometimes suggest that accountability to donors has developed at the cost of domestic accountability. However, off-budget project aid and earmarked basket funding, by their nature, have been managed much more autonomously between donors and line ministries. PGBS and the Joint Review process were found to be open and transparent; they lead to published agreements and have created instruments that are also useful to parliament. The performance assessment framework developed by donors with government is now an instrument parliament can also use to evaluate the government's performance.

Mozambique leads, among the study group countries, in operationalising the concept of mutual accountability. Government and donors are both independently assessed annually for their performance against their agreed commitments. In the other countries this is still mainly an aspiration.

The detailed dialogue and performance targets linked to PGBS offer an alternative style of influence, where partners discuss expenditure patterns and proposals with governments. Their preferences, if agreed with government, may be reflected directly in budget allocations. Or the influence may be indirect – through agreed actions, reform programmes or non-financial indicators that have budgetary implications.

One important instrument which is applied in several countries is the Performance Assessment Framework (PAF). This may work for or against ownership. On the one hand, if the PAF is created separately from national strategies, it will undermine ownership and emphasise accountability to donors. On the other hand, as in Mozambique, it may align with national strategies and even help to make the PRSP into an operational document. It is

important that PAFs should not persist as separate, donor-oriented mechanisms of accountability.

What are the evaluation's recommendations?

The evaluation's Synthesis Report made a series of recommendations. These are all included in the Synthesis Report Briefing Paper. The box below highlights the recommendations that relate directly to the themes of the present paper.

Box 9: Recommendations for ownership, accountability and partnership

On capacity development:

- Support capacity development by using government systems, and accelerate moves to bring aid funds on-plan and on-budget.
- Recognise the centrality of PFM reform in developing national capacity to manage for results.
- Strengthen the policy analysis, budgeting and expenditure management capacities of line ministries as well as finance ministries.
- Also pay attention to capacity issues as they affect local governments.
- Support government-led capacity development strategies for PFM.

On performance assessment and conditions:

- Implement the Paris Declaration commitments on alignment and managing for results.
- Keep disbursement-linked conditions to a minimum and ensure genuine agreement with government.
- Performance assessment systems should track the implementation of strategies as well as the achievement of results.
- Decisions to increase or reduce levels of PGBS support should mainly be based on medium-term assessments of overall performance.
- Take a pragmatic approach to notional earmarking and similar signalling devices, but ensure they are designed to minimise transaction costs.

On managing aid:

- Develop aid strategies to optimise complementarity between aid instruments, including budget support, at country and sector level.
- Develop genuinely long-term budget support instruments.

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