

**Unclassified**

**DCD/DAC/RD(2006)7/RD6**



Organisation de Coopération et de Développement Economiques  
Organisation for Economic Co-operation and Development

**18-May-2006**

**English text only**

**DEVELOPMENT CO-OPERATION DIRECTORATE  
DEVELOPMENT ASSISTANCE COMMITTEE**

**DCD/DAC/RD(2006)7/RD6  
Unclassified**

**Open NGO Letter on Partnership General Budget Support**

*This letter to Richard Manning from a group of NGOs is for INFORMATION to the DAC.*

Contact person: Kaori Miyamoto - Tel: +33 (0) 1 45 24 90 09

**JT03209182**

Document complet disponible sur OLIS dans son format d'origine  
Complete document available on OLIS in its original format

**English text only**

OECD  
2, rue André Pascal  
F-75775 Paris Cedex 16  
France

17<sup>th</sup> May 2006

## **Open NGO Letter on Partnership General Budget Support**

Dear Richard Manning,

We are writing to you in follow-up to the recent conference in Paris presenting the evaluation of Partnership General Budget Support and in advance of the upcoming OECD-DAC committee meeting on the 19<sup>th</sup> May. We welcome this evaluation which provides many useful proposals for moving forwards. We believe that general budget support has the potential to support the principles of greater country ownership as well as having the potential to be more than a technical aid modality. However for that to occur, we believe donors must address several concerns.

### **1. Donors and political processes**

We agree with the evaluation's recognition of the role that donors play as day-to-day actors within the political and policy environment, not merely as external influences, as well as the appreciation that poverty reduction is a highly political and not a technical issue. This inevitably requires (as the report itself notes) that donors improve their political knowledge and awareness of both formal and informal structures and processes in each country. There are however both risks and responsibilities for donors that are associated with this reality:

- a) Greater ownership is a stated objective of budget support; yet international donor representatives have by no means withdrawn from the policy-making table and are still dominating sectoral policy discussions. There is a real risk that donors crowd out national policy-makers through the policy dialogue surrounding budget support. This has serious consequences for democratic decision-making in the medium-term. Donors can provide useful analysis as well as lessons from elsewhere but they should refrain from making policy prescriptions to developing countries.
- b) Donors need to be more upfront with governments about under what circumstance they are/are not prepared to provide budget support with clear prior agreements based on solid analysis of political risks. In doing this, it is critical that they take on board the views of other stakeholders, including civil society. Decisions for budget support should be accompanied by a MoU setting out the commitments from both sides and also the procedure for dealing with any of these issues should they arise. These should be publicly accessible, and donors should actively communicate the commitments and agreements to the wider public.
- c) Civil society organisations have a clear role to play in domestic political processes which the evaluation recognises. Yet donors need to recognise the natural diversity of civil society and should not rely on selected groups to provide the 'voice' of civil society. A study by Actionaid and Care International has shown that general budget support has in fact narrowed the space for civil society to engage with donors (Collinson, H. forthcoming, London: ActionAid/CARE). It is imperative that donors make greater efforts to transparently inform civil society of their priorities, aims and funding decisions (see 2b) and until donors cease to play such an influential "day-to-day role" in country policy/political debates, they have a responsibility to ensure they engage with a broad range of civil society organisations from different perspectives and geographical bases. And while donors may wish to support civil society to provide evidence on government performance,

such support must be based on a concept of empowerment rather than instrumental extraction of information from the poor.

## **2. Domestic accountability**

Although general budget support is generally thought to improve domestic accountability and shift the direction of accountability towards domestic constituencies, we regret that this issue was barely analysed in the report. Development of effective states requires greater domestic accountability, which should not be restricted to policy implementation only but must include holding governments to account for the entire policy process. Donors should not therefore view domestic constituencies as instruments of their agenda but as strategically vital for building genuine political commitment to development.

### Recommendations

- a) Donors need to build in mechanisms to systematically assess as they implement general budget support how their actions will hinder or foster the development of greater domestic accountability, and make this analysis available for public scrutiny.
- b) Donors should support structures and processes that can create a more enabling environment for greater domestic accountability. This should include:
  - Being much more transparent in how they provide funding to governments and civil society organisations. This could include messaging of the amounts given through radio programmes, articles in newspapers etc
  - Supporting civil society organisations to analyse budgets, prepare alternatives and have space to influence processes and also to influence the quality and quantity of service delivery at the local level
  - Supporting national and grass-roots media and communication to increase transparency and flows of information
  - Providing more direct funding (independent of government) for district/regional CSOs and platforms particularly as countries become more decentralised
  - Ensuring that their funding mechanisms for civil society organisations are flexible and that they do not disadvantage poorer groups and networks due to overly burdensome requirements.
- c) Donors should support political debate on policies and alternatives at the national level and increase the use of local/ regional consultants which will mean more investment in improving capacity of southern research institutes/ think-tanks in the long-term.

## **3. Fiscal discipline / Aid Predictability**

We welcome the finding that general budget support has reinforced fiscal discipline, by providing funds that are subject to the budget process. However, we note with concern that medium to long-term predictability is not improving and that this unpredictability threatens to undermine both macroeconomic stability and discipline. As both are critical to the achievement of the MDGs and accountable governance, we believe that aid predictability should be a high priority issue for the DAC.

### Recommendations:

- a) We recommend that the DAC develop and promote Good Practice Guidelines on predictable aid. Donors have already committed to halving the amount of aid that is not released according to agreed annual and multi-year agreements (Indicator 7 of Paris Declaration). However, Good Practice Guidelines should elaborate on this commitment and include graduated responses and long-term agreements between donors and partner governments.
- b) We also recommend that the DAC promote concrete mechanisms that increase donor accountability for unpredictable aid. This is related to the recommendation on Guidelines for Joint

Accountability which build on experiences such as Mozambique's Programme Aid Partners' PAF (See Joint Accountability section below).

- c) We support the recommendation that donors keep disbursement-linked conditions to a minimum, and ensure that these are genuinely agreed with the government concerned (p S11).

#### **4. Fiduciary accountability and Public Financial Management**

We welcome the finding that general budget support has been an effective instrument in strengthening public finance management. We agree that this in turn strengthens the basis for accountability and welcome the finding that improving public financial management has been more effective than standard 'anti-corruption' work in terms of its practical effect on the environment for corruption (S14). We consider that transparent, accessible budgets are critical to allowing civil society and parliament to understand and engage with a government's policy agenda in a tangible way.

- Fiduciary risk:

We strongly support Recommendation 10, which says that fiduciary risks (including corruption) should be assessed from the perspective of all stakeholders, not just donors

Recommendation:

- a) Donor support to public financial management should prioritise the development of budget processes and documents which are simple and accessible to parliaments and citizens. Special emphasis should be placed on building systems at sub-national level for collaborative engagement between the authorities, elected representatives and civil society around planning, budgeting and policy implementation. This requires support for capacity development at local authority level. However, to have an impact, the political space for transformative participation also has to be developed and protected.
- b) We also endorse the report's recommendation (s10) for strong support for Medium Term Expenditure Frameworks. We argue again that there needs to be involvement of broad stakeholders in the definition of the policies underpinning MTEFs, including the strategies for raising and managing the finance.

#### **5. IMF and macroeconomic debate**

We welcome the recognition that a rigid link between the IMF's PRGF and general budget support disbursement conditions can lead to unnecessary volatility. Therefore we endorse the recommendation that donors refrain from tying general budget support funds to the IMF's macroeconomic conditions. However, we are concerned that the IMF nonetheless dominates in an environment where there is little openness in terms of its advice to governments. Macroeconomic discussions are still largely held between the IMF, Central Bank and Ministry of Finance.

We note the finding that general budget support has widened international partner involvement in the macroeconomic debate. However, in our experience the space for and capacity of other stakeholders to take part in this critical debate is still very limited.

Recommendations:

- a) DAC members and partner governments should work with the IMF to increase the transparency of its advice to partner governments, both before and after it reaches agreement with the host government
- b) Donors should invest in increasing the space and capacity for macroeconomic debate through support to independent research institutes, parliament and civil society for work which specifically links macroeconomic policy to poverty reduction and equitable and sustainable growth.

## 6. Joint Accountability

We fully support the finding that partnership demands not only mutual accountability, but also joint accountability for the results of the agreement between the parties. We believe that developing effective systems of joint accountability are an urgent priority if trust and clarity around commitments, which are central to the partners' relationship, is to be developed. However, joint accountability is foremost a priority because the donors and government need to be accountable to the very people whom they propose to support, e.g. the poor and marginalised.

### Recommendations:

- a) DAC Good Practice Guidelines on donor accountability mechanisms should be developed, building on initiatives such as the Mozambican Programme Aid Partners' (PAPs') PAF. We emphasise that those guidelines should not take the existing PAP's PAFs as a baseline, as these are necessarily compromised by negotiation among donor and governments, but set standards to which all donors and partner governments should aim to achieve.
- b) Such Guidelines should promote mechanisms for donors and governments to increase their accountability and responsiveness to the poor and marginalised. This may include evidence-based responses to the outcomes of service delivery audits etc. However, both donors and partner governments need to take on board the role of civil society not merely as a passive receiver / giver of information, but as an active stakeholder with a right to participate in influencing national priorities.

Nonetheless, 'joint accountability' should be seen as something transitional and should not be institutionalised at the expense of domestic accountability. Ultimately what we should all be striving for is for democratic mechanisms that allow citizens to make political judgements about the relative success or failure of their representatives or public institutions and have their voices heard.

We hope that you and your members find these proposals useful, and look forward to seeing them appear in the report of the meeting, and to hearing your views on them. The below-mentioned civil society groups and their extensive networks of contacts will continue to work actively at all levels to monitor progress on these vital issues.

Yours sincerely,

Feisal Hussain, Actionaid International  
 Zoe Wildig, CAFOD  
 Zaza Curran, CARE International  
 Lucy Hayes, Eurodad  
 Caoimhe Debarra, Trócaire  
 Martin Powell, World Development Movement  
 Fletcher Tembo, World Vision

Cc:

Nick York, Chair of Steering Group  
 Eva Lithman, Co-chair of Steering Group