



Gemeinsame Konferenz Kirche und Entwicklung (GKKE)

Joint Conference Church and Development

Democratic budgeting processes and new aid mechanisms

Prof. Dr. Walter Eberlei
University of Applied Sciences, Dusseldorf/Germany

Democratic budgeting processes and new aid mechanism

The development co-operation between Africa and the western donor community has seen rapid and far-reaching changes in recent years. The *Accra Plan of Action* that has been declared a couple of days ago at the High-level conference in the Ghanaian capital includes all the ingredients of the new approach. The crucial question is if all the new and nicely formulated principles and all the fascinating innovations in new aid mechanisms will be implemented in the tough and complex African reality, and, even more important: if all this pays off for the poor.

While I understand my presentation today as a contribution to the specific topic of our conference we have to keep the broader framework in our minds. Discussing “democratic budgeting processes” and “new aid mechanisms” is the result of major developments in the last 20 years. Let me just mention a few of them:

- the ongoing democratisation processes in African countries since the early 1990s;
- the failure of the neo-liberal structural adjustment approach in its pure market-oriented version;
- the focus on poverty reduction as the overarching aim of development co-operation as expressed in the MDGs and the Poverty Reduction Strategy approach;
- the newly inspired debate about the state’s role in development;
- a new function for parliaments in multi-party environments;
- and last but not least: the emergence of a lively and politically influential civil society.

Having said that, I would like to outline my presentation along four questions:

- First: What is democratic budgeting in the Sub-Saharan African context?

- Second: What do I mean by “new aid mechanisms”?
- Third: Why is democratic budgeting a precondition for new aid mechanisms?

And finally: What can be done

1. Democratic budgeting processes in Africa

Budgeting processes are not just one element of the governance framework within countries. Budget policies are the central tool of governments to rule their countries.

Discussing *democratic* budgeting processes reflects a tremendous change in African societies. About ten years ago, an academic colleague in Kenya told me that in his country – like in Britain in earlier days – the budget document was secretly prepared by the government. Nobody would have a chance to discuss a draft before the Minister of Finance carried the finalized paper to the Parliament on the so-called Budget Day. I remember that my Kenyan colleague said: The budget draft is more secret than the colour of Her Majesty’s underpants.

Well, things have changed. Within less than ten years, budget policies have become a hot topic in public debates as well as in Parliaments. If one follows the newspapers in Zambia, in Ghana or in Kenya during the phase when the budget draft is discussed in the national legislatures, she or he will find plenty of reports, analyses, statements on the budget and so on and so forth. On behalf of the German *Joint Conference Church and Development (GKKE)* one of my assistants did some research on civil society groups dealing with budget issues in Africa. The result was very encouraging: Informed budget work of civil society groups can be found nowadays in almost every country in Africa!

During the last 10 to 15 years, a number of African NGOs, church groups and networks have made the governments budget policy to one of their main fields of lobbying and advocacy work, for example to push for more gender-sensitive expenditures. The majority of these actors get involved through budget analyses, monitoring of public expenditure, public relations work and lobbying with government and parliament.

Looking specifically to **the legislatures**, a similar picture emerges. While it is still difficult for Parliaments in Africa to change the executives’ budget draft extensively, recent years have seen a number of hot debates in Parliaments on budget issues which influence the drafting process. And

more: Nowadays, Parliaments are very keen to follow the actual implementation of the budget. For example: During a visit to Zambia early this year, I could see how intensively the Auditor General's report on budget implementation was discussed in Parliament. The Government was forced to explain a number of issues and some Ministers got really into troubles. It is a real progress that the *Zambian Auditor General's* report is nowadays available 12 months after the end of the budget year and it is published on a website. This strengthens transparency and accountability. Compared with the situation ten years ago, the oversight function of the Parliaments in Africa has been considerably improved.

Having said all that, we can argue that *democratic* budgeting processes are a new reality in many African countries. At the same time one has to state that they are still weak. Parliaments' means are limited to oversee budget implementation. NGOs lack the sufficient access to information and have limited capacities to deal with the complex budget systems. Academic resources to contribute with independent budget analyses are still very scarce. Social movements or community-based organisations reflecting the interests of the poor are hardly involved in budget debates. All this is true. Nevertheless, a new reality of democratic rule is emerging – and has to be strengthened.

2. New aid mechanisms

This leads us to the **second part of my presentation: the role of development cooperation** in budgeting processes. Does the new aid architecture that was discussed so intensively at the High-level meeting in Accra foster democratic budgeting processes?

The time does not allow for a detailed discussion of aid principles and mechanisms but I would like to outline briefly some important features of the new aid regime.

First: The stakeholder perspective has changed strongly.

During the first decades after independence, African governments successfully hold the complete monopoly over aid resources. "Donors aided governments, not their populations", the political scientist Nicolas van de Walle wrote. This elite-orientation of development aid perceived the poor as recipients or target groups of interventions only. As Governments' budgets were mainly financed by external resources, there

was no need for domestic legitimacy or domestic accountability. The new principles of *country ownership* and *participation* do not grant governments alone the responsibility for development work but emphasises the close connection with various societal stakeholders, especially within civil society. A few years ago, an OECD document formulated it as follows: "The active participation of a range of partners and the empowerment of the poor are vital." This new approach seems to embed a concept of *good governance* in a broader democratic sense and a clear departure from the technocratic view prevailing in the 1990s and – in some minds – until today.

Secondly: Donors align their work with country strategies.

The traditional development cooperation was based on policy blueprints imposed by the donors, especially regarding macro-economic frameworks and structural economic issues. The implementation of donor plans, ideas, programmes and projects was rewarded by an enormous flow of aid money over the years, serving the interests of the elites and supporting their political survival, but with little impact on the lives of the poor. The new principle of donor alignment with national development strategies, e.g. the *Poverty Reduction Strategies*, allows for a complete different approach – in terms of procedures, but also as regarding content. While the traditional scheme was predicated on the premise that economic principles determine development strategies, the new approach is, at least theoretically, based on a poverty analysis within the respective country and the question, how poverty reduction efforts can show meaningful results.

Thirdly: New aid modalities have been introduced.

The traditional aid approach was characterized by its focus on projects and small programmes following donor priorities, limited coordination (if at all); and, moreover, its chaotic diversity of conditionalities, rules and procedures. All this raised abundant criticism in the past. According to the new approach, the development assistance of single donors is not only to be coordinated with other donors, but to be harmonised with the work of all other 'external development partners' to support the implementation of national development plans jointly. To realize these important principles of the Paris Declaration is a difficult thing, as the discussion in Accra has shown. There is still a big need to reform donors' strategies, procedures

and practices, e.g. by stronger coordination, more flexibility, strengthening of governments to take the lead in poverty reduction, harmonisation of donor procedures, developing joint financing instruments and others. However, especially the direct budget support as one of the key innovations in this context offers plenty of opportunities to improve the way development cooperation is implemented.

So, new stakeholder perspective, new operational basis, new modalities - is all this a new reality or is it just theory or public relations? I am sure that the discussions today and during the next days will highlight a number of problems with and shortcomings of the new approaches. Nevertheless, I would like to risk the hypothesis that new aid mechanisms are available and that their implementation for the benefit of the poor is possible – however, this relies strongly on the development orientation of actors in the South as well as in the North.

3. Democratic budgeting as a precondition for new aid mechanisms

Direct budget support (DBS) is one of the most important new aid instruments. It includes a number of advantages compared with the old-style project aid. However, DBS is not a panacea in every situation, and this is my third point: Democratic budgeting is a crucial precondition for the new aid mechanisms, especially DBS.

Research studies on budget support focus on four essentials:

1. *Ownership*, this means influential actors, especially within the executive bodies, identify with the official political goals and have the political will to pursue them.
2. the *transparency* of government actions,
3. *accountability* of the government towards its citizens embedded in the country's political structures, and
4. institutionalised opportunities for the *participation* of parliaments and civil societies.

Unfortunately, these four elements of good governance can hardly be found in any low income country to a fully satisfactory degree.

Let me mention Zambia again as a case in point. A recently conducted analysis of the *Zambian Poverty Reduction Budget Support Programme (PRBS)* underlines the weaknesses in ownership, transparency, accountability and participation (Gerster/Chikwekwe 2007). This specific report confirms the more general results of an academic research project in which I had the privilege to participate. The research describes the persisting neopatrimonial features of Zambian political processes – while not neglecting some progress that has been made in recent years (Eberlei/Meyns/Mutesa 2005). According to our findings, Zambia is an example for “hybrid regimes” in Africa with emerging rational and democratic elements on the one hand but a still strong neopatrimonial rule on the other (including personalism, clientelism and the misuse of public funds for personal or political purposes).

Donors argue that budget support also contributes to improve good governance. First studies are supporting this argument (e.g. *University of Birmingham 2006*). But: What minimum degree of good governance is necessary to start with budget support? Efforts by donors (e.g. the World Bank) to gain comparable perspectives through more or less quantitative rankings ought to be viewed with scepticism. Even those responsible for the comprehensive system for measuring the quality of governance advise against making quantitative indicators a precondition for the allocation of development aid, for they see the results as being too sketchy.

The solution for this dilemma can only lie in defining qualitative minimum standards for entering into budget support (in particular standards for transparency, accountability and participation).

The responsibility for improving the four elements, however, does not rest alone with the governments of the recipient countries. In concrete reference to budget support, the donors can strengthen the four elements as follows:

- Ownership for example needs the limitation of donor conditionalities. Policy conditionalities weaken the governments’ ownership; they further limit the public will formation and its mediation through parliaments and civil societies. The *Performance Assessment Framework (PAF)* used in a number of African countries in the context of budget support, for example, is not even publicly available and is not discussed in Parliament. Conditionalities should be restricted to process standards, but should not include policy prescriptions.

- Transparency can be strengthened by supporting the governments in all their public information work. Even more important might be the creation of transparency about the donors' own activities in recipient countries. It has been recommended, for example, that donors could publish all relevant documents related to budget support on a specific website.
- Accountability can be strengthened by accepting that governments are accountable to parliaments and the general public – not to the donors. There are still a number of practices that run counter of this basic insight. Let me mention, for example, the *Joint Annual Review (JAR)* in Zambia. The meeting – in which important decisions on budget support are prepared – takes place without any participation of the Parliament and with marginal inclusion of civil society. This strengthens the upward accountability instead of the domestic downward accountability. In addition, donors on their part should give account for their own work to the societies of recipient countries.
- The strengthening of participation requires the inclusion of Parliament and civil society in the country's budget policy processes wherever and whenever possible. Donors on their part should hold dialogues as intensive as possible with parliaments and civil societies on aid flows, on budget support and other issues.

In general: Good Governance in a broader sense of “democratic governance” is a precondition for the new aid mechanisms, especially effective budget support serving the needs of the poor. Governments in the south, but also the donors in the north are jointly responsible to improve this framework.

4. Strengthening democratic budgeting

What can be done to strengthen democratic budgeting? Various possibilities exist. Many opportunities are already used, for example to foster adequate legal structures or central auditing authorities. This is important. However, there are areas which have been (mostly) neglected so far. I would like to mention three of them:

- a. Strengthening parliaments: Parliaments in low income countries are weak institutions which are often embedded in a country's neo-

patrimonial power structures. We cannot expect a change of this overnight. In the medium-term, however, elected institutions can and must take up their roles which are – in many countries - already constitutionally granted. Their legislative and controlling functions in the system of government, particularly in budget policy processes, are crucial. Some donors are supporting Parliaments in African countries, e.g. by capacity building or financing modern information technology. However, this is not enough. More resources are necessary, political support is necessary, the inclusion of the Parliaments in all important decision making processes is necessary and so on.

- b. A second crucial approach to strengthen democratic budgeting is the institutionalisation of civil society participation: The participation of civil society actors in their country's development policy processes suffers above all from: a weak legal base, weak structures for continued dialogue, weak and uncertain resource situations. Some donors have done exemplary work for the strengthening of civil society work (e.g. the GTZ support to the network *Civil Society for Poverty Reduction* in Zambia). Regrettably, such individual programmes have not been adopted generally. What can be done? The capacities for budget analysis should be strengthened in civil society organisations, but also in the national academic institutions and the media. Information flows between Government or Parliament and civil society should be supported, including assistance for the media. Civil society efforts to track Government's expenditures should be financially covered. The representation of civil society groups in national macroeconomic fora should be encouraged, e.g. by ensuring good information flows. And, last but not least, initiatives to empower the poor themselves need full support from all involved political actors.
- c. A third and final area that should be strengthened is the interplay between civil societies and legislatures: In the debate about democratic budgeting processes, the links or interfaces between civil society organizations and democratically legitimized parliaments have been neglected so far and have to be strengthened in future. Parliaments are (or should be/become) the constitutionally based and democratically legitimized forum for domestic debates, while civil societies can initiate "communicative power" (as the famous German

Social Scientist Jürgen Habermas phrased it) to inspire, influence or even publicly criticize those who are in charge of the legal “administrative power”. Both sides need each other, both sides can benefit from each other and the cooperation between each other.

To realize this is especially a task for Parliaments and civil societies themselves. One approach would be to create and to institutionalise mechanisms for information exchange and discussion between legislative institutions and country stakeholders (e.g. hearings, open forums, participation of civil society representatives in committee meetings, etc.).

Let me summarize and answer the questions I raised at the beginning:

Democratic budgeting is an emerging reality in many African countries. This is an encouraging development. The potential positive impact on the lives of the citizens in these countries cannot be overestimated.

New aid principles and new aid mechanisms going hand in hand with democratic budgeting are available. The *Accra Agenda of Action* has formulated many important objectives and tasks. Their proper implementation is essential. Civil society representatives and Parliamentarians – in Africa as well as in the northern partner countries – are called upon to hold their Governments accountable as regards the Accra commitments.

Effective poverty reduction is possible. To create and to shape the necessary governance framework is a challenge for all political stakeholders.