

REFLECTING BACK ON BUSAN

The 4th High Level Forum on Aid Effectiveness

CABRI was very active during the 4th High Level Forum on Aid Effectiveness, which took place at the end of last year in Busan. CABRI was particularly engaged in the building blocks on **Transparency and Effective Institutions and Policies**. Most importantly, CABRI's Executive Secretary chaired the two main sessions on Transparency, in which context we were able to promote CABRI's Declaration on Good Financial Governance and Position on Aid Transparency.

But the question arises whether the effort and cost that went into the preparation of and participation in Busan was worthwhile. This briefing paper will assess, in CABRI's perspective, in which ways Busan was a success and in which ways it might not have lived up to expectations.

AID AND BUDGET TRANSPARENCY

With respect to transparency, the Busan outcome document does produce a significant gain for partner countries. This has been a key concern for CABRI, due to the impact of opaque aid on budget systems. Worryingly, though, paragraph 23a allows for the non-publication of aid information when it is deemed **'legitimately' commercially sensitive**. CABRI hopes that this will not become the standard excuse for not providing information. Besides, given the experience of the Paris Declaration and the slow progress that donors have made on their promises, we hope that the Busan commitments will be implemented with more success.

Fortunately, with momentum over the transparency agenda already engaged, there have been significant changes on the ground. Progress was also achieved in the course of the forum, with the United States and other important players signing up to the **International Aid Transparency Initiative (IATI)**. The IATI sets out basic standards that donors should follow to improve the quantity and quality of information that needs to be disclosed on aid flows. The new signatories bring IATI signatories to about 80% of total overseas development finance. Ms Christiansen, Managing Director of *Publish What You Fund*, however emphasised the need to make further progress with respect to global standards on aid reporting to make aid more transparent and predictable. She highlighted

the remaining progress needed to be done with respect to more countries signing up to the IATI, such as France and Japan. Ms Indrawati, the Managing Director of the World Bank, also stated the importance of making better aid information available, through IATI.

Meanwhile, it is important to recall that it is also down to partner countries to make aid transparency work for them, by absorbing aid information in the budgeting processes. South Africa's Deputy Finance Minister, Mr Nene, emphasised the need for further work post-Busan. Minister Nene recommended the importance of **political will**, to commit information and to enable and strengthen **oversight capacities of the legislature, parliament and civil society**. He stated that the challenges ahead remain the low level of capacity within budget offices, the uncertainty of how much and what kind of information needs to be published and the lack of political will. Mrs Carlsson, Sweden's Minister for International Development Cooperation, also stated that there is a double responsibility to make aid flows transparent with respect to both development partner countries' taxpayers and local people in Africa. As **fiscal transparency** is as important as aid transparency, the importance at the country level of other initiatives, which promote fiscal transparency, such as the Open Government Partnership (OGP) and the Global Initiative for Fiscal Transparency (GIFT), was also highlighted. This double obligation is very much part of the CABRI Position on Aid Transparency. It is important to ensure that budget systems are transparent and enable parliamentary and citizen engagement. And it is the executive's responsibility to report back on the aid it receives on behalf of its citizens.

AID PREDICTABILITY

The session on **Aid Predictability** exploded the often held donor position that they cannot provide medium term predictability on account of their domestic budget processes. Indeed, AusAid shared its attempts to make its own budget process long-term, to create greater predictability of aid flows for partner countries. AusAid stated that it tries to design three to five year strategies with partner countries, under which it asserts indicative allocations for countries and the results it

expects to achieve. Finland, similarly, stated that it operated according to a multi-year budget framework of four years, in which it sets spending targets for at least the next three years on aid flows. In this way, Finland tries to have **long standing framework agreements** with countries, in which it stresses the importance of dialogue and country consultations.

Mr Rwangombwa, Rwanda's Minister of Finance, made a valuable contribution, which highlighted how the issue of aid predictability remains central. He stated that without aid predictability, Rwanda is unable to commit to its ambitious public finance management reform. The main challenge the government faces is that as early as the second year of its five year medium-term plan, it cannot plan efficiently due to the lack of predictability regarding aid flows. Given that aid flows represent about 40% of Rwanda's budget revenues, this is a considerable challenge, first, in terms of unreliable medium term budget planning, second, in terms of the effect unpredictable aid flows has on borrowing. For example, in 2008/09, the government had to fill the gap from delayed aid flows from donors by undertaking costly short-term borrowing.

EFFECTIVE INSTITUTIONS AND POLICIES

For CABRI, the other significant gain from the new Busan partnership for effective development cooperation is the **New Consensus on Effective institutions and Policies for Development**, which represents a confirmation of the need to focus on building **country systems**. Indeed, during the session, Mr Padvanga from the Philippines' National Economic and Development Agency stated that the use of country systems is catalytic in building effective institutions. Effective institutions are a necessary condition of growing out of aid, which was a key part of the CABRI's Africa Position on Aid Transparency going into Busan.

The new consensus recognises that building effective institutions and policies should be country-led, and should focus on building country capacity and not just reforming systems. It also recognises the need to understand political economy factors and what it takes to undertake change management. The consensus also recognises the **important role of non-executive institutions and actors** in building effective institutions and policies. Indeed, Mr Kipoa, a member of the Tanzanian parliament stressed the importance of recognising different actors to help support the strengthening of institutions.

The new consensus reflects significantly CABRI, as well as AFROSAI and ATAF's, work on good financial governance. In this context, CABRI was able to promote the six core principles for financial governance reform in Africa, as detailed in CABRI's Declaration on Good Public Financial Governance. CABRI was also on the panel of a side event on public financial management and procurement, which was related to the building block on effective institutions.

CABRI therefore welcomes and supports the New Consensus on Effective Institutions and Policies, as it recognises that there is no single 'best practice' for institutional reform for all countries and that political economy factors contribute to shaping the effectiveness of joint efforts towards developing effective institutions. The essential role of parliaments and civil society organisations in strengthening capacities and institutions as users of information is highlighted. This could bring a new era in development cooperation around budget reform.

But it remains to be seen how the new consensus will be translated into actions. The role of **knowledge-sharing**, through **regional platforms** and **networks** is particularly important, as stressed by Mr Otiero from Kenya's Ministry of Economic Planning. He also highlighted that the ability for governments to build effective institutions was based on the quality and knowledge of its officials. In this light, CABRI's work is particularly relevant and we look forward to sharing amongst our member states what this new consensus could mean in practice.

However, CABRI fears that there is little in the outcome document which will improve the situation around the use of country systems. While the use of country systems has been stated as the "default approach", paragraph 19b will allow donors to continue avoiding the use of country systems, by ultimately deciding the extent to which they can use country systems.

A MORE INCLUSIVE PARTNERSHIP – AT WHAT COST?

The forum succeeded in establishing a more **inclusive development partnership**. The outcome document sets out key priorities for effective development cooperation taking into account new and diverse actors, including civil society, the private sector and emerging donors such as China, Brazil, India and Mexico. This is clearly a key gain given the growing importance of these actors in the development cooperation arena. In addition, the language of the Busan outcome document importantly emphasises **development effectiveness** and development results, rather than aid effectiveness, as has been past practice. While this is clearly an achievement, its benefit depends on whether the inclusion of these actors can be leveraged to the benefit of partner countries.

However, CABRI is concerned that the inclusion of clauses that make compliance with the Busan principles **conditional** will weaken the ability of partner countries to build effective public financial management institutions. Specifically, paragraph 2 states that "The principles, commitments and actions agreed in the outcome document in Busan shall be the reference for South-South partners on a voluntary basis". Similarly, paragraphs 8, 14 and 16 introduce into the partnership **voluntarism** and **special circumstances** as reasons for

non-compliance, by stating the presence, for example, of “differential commitments”. Accordingly, the introduction of voluntarism, as a trade-off to including these new actors, may be a price too high to pay.

Overall then, CABRI believes that the Busan outcome document will be a step back from the Accra Agenda for

Action, unless agreement is reached on clearly defined actions, targets and indicators that will lead to the increased use of country systems, greater aid transparency and mutual accountability. And more importantly, the providers of development assistance should bind themselves to all the principles, commitments and actions of the outcome document.



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