

Mokoro



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“Aid on Budget” Study Overview and Literature Review

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Overview of Session

➤ **Aims**

- Present Aid on Budget study findings
- Seek CABRI's expert comments and feedback

➤ **Topics**

1. [this presentation] Objectives, approach, and issues revealed by literature review
2. [next presentation] Sample country case
3. [final presentation] Overall conclusions and recommendations

Overview of this presentation

- Objectives and components of the study
- Key concepts and definitions
- Issues arising from the Literature Review

Study Objectives and Components

□ Objectives:

to produce outputs which will better equip governments in Sub-Saharan Africa to lead country-level processes to ensure external development assistance (aid) flows are properly reflected in national budget documents, ex ante (budget presented to legislature) and ex post (out-turn accounts).

□ Components:

- Inception Report
- Literature Review
- Country Reports (5 + 5)
- Synthesis Report
- Good Practice Note

Concept and Definitions (1)

“on budget” is about budget **process**, not just budget documents. Hence:

Term	Definition
on plan	Programme and project aid spending integrated into spending agencies' strategic planning and supporting documentation for policy intentions behind the budget submissions.
on budget	External financing, including programme and project financing, and its intended use reported in the budget documentation.
on parliament	External financing included in the revenue and appropriations approved by parliament.
on treasury	External financing disbursed into the main revenue funds of government and managed through government's systems.
on accounting	External financing recorded and accounted for in government's accounting system, in line with government's classification system.
on audit	External financing audited by government's auditing system.
on report	External financing included in ex post reports.

Concept and Definitions (2)

Be careful to note:

- Budget support is always “on budget”, but other aid modalities can and should also be “on budget”. (Different degrees of earmarking.)
- Identifying sources of public funds, vs. identifying uses of public funds.
- Different aid-disbursement channels:
 - Channel 1: funds disbursed via Ministry of Finance
 - Channel 2: funds disbursed to government, but via sector ministry or special project unit.
 - Channel 3: funds managed by donor, and government receives services or assets in kind.
- Multiple budgets (and budget-holders) in decentralised systems.

Reasons for Capturing Aid

- Reasons for capturing aid
 - comprehensiveness
 - transparency
 - accountability
 - strengthening government systems

- Whether capturing aid at any of these points will have the desired effects depends on:
 - quality of the information: completeness, credibility (predictability), disaggregation and detail, etc.
 - timeliness and accessibility: who has the information, and at what stage in the relevant process
 - the quality of the information and processes relating to non-aid resources.

Key Points from Literature Review

- Strong overlap between agendas for better public finance management and for better aid effectiveness (cf. PEFA).
- Paris Declaration is key pressure to bring more aid on budget. However:
 - Different donors interpret objectives differently. Contrast between *"reflecting aid in budget documents"* and *"integrating aid in budget processes"*.
 - Different interpretations of targets diminish the credibility of Paris Declaration monitoring survey.
- Pattern of case study findings may be complex, because of:
 - many dimensions of "on budget";
 - different interpretations by different donors;
 - variety of country contexts.

International Guidelines and Standards

- Key international guidelines and pressures:
 - Paris Declaration
 - PEFA standards

- These set standards and provide basis for monitoring
 - (link to other relevant standards, e.g. IMF Transparency code, IPSAS, etc)