

**Keynote Address for the Aid Transparency and Good
Financial Governance Conference
Cape Town**

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**Deputy Minister of Finance
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Senior Government Officials,

Development Partners,

Distinguished Representatives,

Ladies and Gentlemen,

I am honoured to be here in Cape Town at the Aid Transparency and Good Financial Governance Meeting hosted by the Collaborative Africa Budget Reform Initiative. Issues of economic governance and management continue to be central in the quest for growth and prosperity on the continent. As such, these issues should be emphasised and re-emphasised at every given opportunity. All over the continent and indeed worldwide, shortfalls in good governance in both private and public sectors have led to stifled development and economic growth and even compromised peace and security. The recent global financial crisis which led to a decline in official development assistance to Africa, among other challenges, was a piercing reminder of the importance of addressing economic and financial governance.

The time is right for African States to review the state of their public financial governance structures and practices and moreover, re-examine the role of development cooperation in supporting the African agenda in light of the upcoming Fourth High Level Forum on Aid Effectiveness in Busan, South Korea. In this regard, I must commend the Collaborative African Budget Reform Initiative (CABRI) for organising this timely conference that brings together Senior Budget Officials and Senior Aid Management Officials to develop a consensus on the issues that must be taken forward to Busan.

Good public financial governance and the management of aid are strongly intertwined. Public financial management systems in Africa function in the context of aid given that most countries in Africa receive official development assistance and other aid flows from various development partners. The presence of aid flows in Africa create complexities in budget management because aid is not always predictable; it sometimes flows outside of the public financial management system and is not always captured in the budget. It is not always aligned to countries' immediate needs and priorities and often demands the creation of a parallel system for its use and moreover, information on aid flows is not always transparent especially for funds that flow outside of the budget process. These are some of the issues that undermine public financial governance systems in Africa.

In the past, bad financial governance practices in Africa have served as a disincentive for development partners to trust the systems of partner countries and the notion that funds would be used transparently and effectively, complete with a proper account of the use of aid funds. Even with improvements in country systems, development partners often avoided using national systems and insisted on the creation of parallel systems. Indeed, many of the delegates here today would attest to the fact that scarce capacity within the ministries of finance has often been tied up implementing donor-designed reform programmes, which have not always taken sufficient account of existing systems and therefore resulted in ritualistic changes with little effective improvement of function. Nonetheless, the commitment by development partners in the Paris Declaration and reinforced in the Accra Agenda for Action to use country systems as a default option will go a long way in alleviating the burden on our ministries.

African governments are also not without blame. Aid funds have not always been captured in the budget, used optimally and reported in a manner that demonstrates accountability to both donors and citizens for the aid that governments have accepted. If we want development partners to improve the timeliness, reliability, predictability and alignment of aid with country's priorities and systems, then we should demonstrate the political will to improve our public resource management systems and rigorously implement the necessary reforms that will inspire confidence in our systems.

Good financial governance as a good in itself

Notwithstanding the strong linkage between good financial governance and aid management, good financial governance must be recognised as a good in itself. It is intrinsic to development, economic growth and poverty reduction. It is also a prerequisite for African states to mobilise domestic revenues and grow out of aid. The responsive, prudent and effective management of the continent's financial resources is what ensures that Africa's citizens can access health, education and basic services, work and live in safe environments and conduct their business knowing that they are protected by the rule of law. This should be a priority regardless of the complexities surrounding aid transparency.

Certainly some gains have been made over the past decade. African states have embarked on numerous reforms to improve their legal and budgeting frameworks, deepen broad-based participation and institutionalise measures to reduce corruption and foster accountability to tax payers. However, there is still much to be done. Lack of transparency on the part of government on sources of revenue, expenditure and debt coupled with weak oversight institutions and informal

practices create an avenue for misappropriation. This has to end. Moreover, oversight institutions need to be empowered and adequately resourced to carry out their functions. African governments need to strengthen their fiscal frameworks and prepare meaningful and realistic budgets; execute the budget through well functioning internal controls and robust procurement systems and adhere to international accounting practices and reporting systems.

Finally, we need to be more assertive in dictating our reform priorities. We know that donor influences on the choice and timing of reforms are not always compatible with our own needs and priorities. The undue influence affects our ability to establish institutions that are appropriate within our specific contexts. Therefore, it will be important for us to make it absolutely clear in Busan that while African governments commit to continue to rigorously implement public financial governance reforms, we will also dictate our own reform choices and sequence them according to our varying capacities.

These principles that i have just spoken about are also captured in the draft political declaration, which has been circulated to you by the CABRI Secretariat and will be discussed at length tomorrow. The declaration, which has been prepared for African Ministers of Finance to consider for adoption, is built around good public financial governance principles on reform choices, accountability, institution-building, results-orientation and transparency. The principal of transparency, specifically with respect of aid will be the focus of discussions today.

The importance of aid transparency

Without comprehensive, useful and reliable information on aid African governments cannot take charge and shift the focus to building domestic

institutions, systems and processes. Poor information flows on commitments and expected disbursements and actual use of aid between donors and country institutions and within countries undermines the ability of countries to integrate aid into planning, budgeting and reporting processes and undermines domestic accountability processes.

The importance of aid transparency is now recognized by the international community and reflected in initiatives such as the International Aid Transparency Initiative (IATI) and the OECD DAC Working Party on Aid Effectiveness working group on Transparent and Responsible Aid, which are undertaking work to agree frameworks for the provision and/or publication of aid information in the run-up to the 4th High Level Forum.

CABRI is committed to ensuring that the outcome of the aid transparency processes is optimal for African partner countries. The Workshop is intended to ensure that how aid transparency is framed in the international discussion is in the long-term interest of strengthened African states and informed by the needs of country budgeting as much as aid management processes. I welcome the initiative by CABRI countries to present a common African position on aid transparency. It is through collective action that we will ensure that the African voice is heard.

Concluding Remarks

The value of this conference in elevating the dual issue of aid transparency and good financial governance cannot be overstated. A consensus on the two areas would greatly assist to advance the African position on development effectiveness.

The success of this important undertaking will critically depend on continued involvement of government officials present here to sensitize their colleagues on the discussions we have today and continue the discussions with all stakeholder including development partners ahead of the Busan meeting. These dialogues will go a long way in reaching a landmark agreement that propel African to new heights of development.

I would therefore like to urge all of you to share candidly our thoughts on the key issues placed before us over the next two days. Let me conclude by applauding once again, the organizers of this conference and the technical experts who have laid the foundation by conducting the background research.

I wish you a fruitful discussion.