

## Chairing multi-donor groups on General Budget Support (GBS): Lessons learned

Richard Gerster<sup>1</sup>

### Background

Switzerland has considerable experience in donor coordination on the issue of General Budget Support (GBS). It chaired the GBS group of 17 donors in Mozambique 2004/05. In July 2006, in Tanzania, Switzerland was entrusted with the GBS chair on behalf of 14 donors for 2006/07. Switzerland also took the lead among the CGAB-CSLP group of 9 donors in Burkina Faso the same year. The donor group in Nicaragua also appointed Switzerland as its chair in 2005. Against this background and based on the experience in Mozambique and discussions with Swiss Cooperation staff in Mozambique, other donors involved in GBS in Mozambique, and Swiss Cooperation staff in Tanzania, the lessons learned have been developed to draw on when chairing GBS-donor groups. The lessons mainly focus on donor internal affairs rather than the relationship between donors and partner governments.

### Core messages

1. Do not crowd out strategic orientation when managing everyday affairs;
2. Identify one key issue of strategic importance and follow it up;
3. Proceed with an inclusive approach, taking diversity into account;
4. Focus on organisation, lowering transaction costs, simplifying procedures;
5. Keep your own staff on board by providing information and linkages;
6. Ensure full understanding of and support by headquarters;
7. Use the chair to raise the Swiss profile in-country and of GBS in Switzerland.

### Introduction

In April 2005, Switzerland, together with many other countries of all continents, accepted the **Paris Declaration on Aid Effectiveness** as a future guideline for doing business. The Paris Declaration provides and demands a new vision of a donor's mission. If its contents are taken seriously, it requires a transformation of the aid relationship. Such a new understanding implies an openness to re-discuss priorities, to find a more efficient partition of labour among donors, to embark on a professional lead donor system, etc. The Paris Declaration approach requires a change of the mind-set and is a move to a new corporate culture. Yet donors still behave very much as individuals instead of being part of a wider external coordinated effort to sustain the partner country's primary effort to achieve development and poverty reduction.

The **General Budget Support (GBS)** schemes are at the forefront of the envisaged changes, as GBS requires from the outset a holistic perspective on the partner country's efforts and what other donors are doing. GBS is not just another aid

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<sup>1</sup> Gerster Consulting, Switzerland. Gerster Consulting has a Strategic Partnership on issues of General Budget Support (GBS) with the Swiss State Secretariat for Economic Affairs (SECO). The opinions expressed in the article are the personal views of the author.

modality, added up on top of the projects and other forms of aid. GBS is a challenge to the overall portfolio. It is a vehicle for and nucleus of transformation of the cooperation landscape based on the Paris Declaration principles. The chairmanship of a GBS group, therefore, is a unique chance to participate in such a cooperative effort. The chairmanship also challenges the agencies' own understanding of these issues and can consolidate or stimulate internal change. This change is not limited to in-country institutional cultures but should encompass also headquarters in an appropriate way. GBS has in many cases been a field concern and headquarters came into the picture only at a later date, at international conferences (Rome and Paris) for example.

The Swiss State Secretariat for Economic Affairs (SECO) has been an early mover and risk-taker at the forefront of providing GBS in a number of countries. Such an active commitment helped to shape the good reputation Switzerland enjoys despite it being just one of many players. While GBS contributions, at between CHF 6 and 10 million per year, are substantial amounts by Swiss standards, Switzerland remains in the small donors' league from the partners' point of view. For example, in Tanzania, the Swiss GBS contribution is less than one percent of the overall GBS package. In the framework of the GBS group, a Swiss chair cannot trust in quantity but has to rely on the quality of arguments, on alliances and consensus building.

### **Ten overall lessons**

1. The chair needs to combine strategic thinking with incremental step-by-step measures. Pressing day-to-day affairs should not obscure the longer-term view of where the country and the donors will move in 5 or 10 years' time.
2. It pays to prioritise. The focus during the chairmanship should be on a few key issues. In Mozambique, for instance, it was a priority to include the provincial perspective in the GBS annual review process
3. Looming problems between players (Government, donors, others) should be made transparent at an early stage and put on the table as long as they are manageable.
4. It is important to separate the twofold roles of chairing the donors' group and representing Switzerland, and deliberately to mandate different persons with these roles.
5. Chairmanship is associated with an enormous additional workload, the simple management of which must not be underestimated. Increased analytical and organisational capacity, and adequate resourcing of the chairmanship is crucial for success.
6. Reflections should be initiated on crisis management scenarios. The 2005 events in Uganda and Ethiopia demonstrate the vulnerability of GBS and show that early warning is not as advanced as donors pretend it to be. It is not professional behaviour for donors to be taken by surprise.
7. Adding capacity building to GBS funding can have trust-building side effects. Donors can show commitment and gain intimate understanding of selected issues by providing technical assistance. In Mozambique, Switzerland is in the forefront of tax reform and, since this is a core element of Mozambique's overall reform agenda, this commitment added to the credibility the Swiss chair enjoyed.
8. Independent external assessments can be effective instruments to drive change forward among donors and in donor-government relations. The donor

Performance Assessment Framework (PAF) and rating exerts pressure on donors to perform along the lines of the Paris Declaration. External assessments were instrumental in achieving the progress to date and so were advocated by the chair and troika.

9. A clear commitment by the chair and troika to GBS principles and, subsequently, a joint approach by Government and donors, can bring new contributors on-budget: the Clinton Foundation agreed to put their contribution (16 mio Euros) on budget. So did the Global Fund (GFATM), thus supporting the entire health system instead of funding drugs off-budget.
10. Unexpected crisis management can be time-consuming for the chair. In the case of the Danish consultants' affair in Mozambique, it was essential to keep Denmark's new agreement in line with the Memorandum of Understanding.

### **GBS donor group**

- Trust-building is key. For example, the UK's DfID is the largest donor in Mozambique but is no longer part of the steering group ("troika"). If there is not sufficient trust in the chair, such donors may just by-pass the GBS group and due to their sheer weight get access to parallel policy dialogue.
- The key items on the agenda are to be identified and agreed early for the 12 months to come and followed up throughout the year.
- It is important to give space to different views and balance them in the troika. The GBS donors have very different work cultures and motivations to provide GBS.
- Listening and searching for consensus and compromise may be more effective than pushing forward an agenda that is not inclusive.
- Attention should be paid to making sure that consensus-building does not translate automatically into the lowest common denominator. For example, the process to establish a PAF for donors ultimately included four donors of the G-17 who would have preferred a zero result (despite their headquarters signing the Paris Declaration).
- The chair should organise a division of labour among donors, in particular among the troika-plus members. In such a way, responsibilities and workload can be spread. A first step is to do a stocktake of the manpower and financial resources available.
- A developed structure of the GBS group is vital to limit potential conflicts and to keep work at a digestible level. , In Mozambique, the Head of Cooperation plenary, troika-plus (troika plus World Bank and European Commission), Joint Steering Committee (troika-plus with government), economists' working group, some 15 working groups clustered in thematic groups for reporting, and the (joint) PAF coordination group have defined competences and processes, Such structures do not prevent the chair from working as a team in a troika.
- The role of the GBS group secretariat is to be defined as part of the network and division of labour among donors. In Mozambique, the Government proposed a transfer to the Ministry which was not seen appropriate.

### **Relations between donors, government and civil society**

- Attention should be paid to the fact that alignment and harmonisation is not only donors' business. Even more important is the process within government

and between government and civil society. This aspect should be a permanent issue of policy dialogue

- Having a GBS group prevents direct policy dialogue between individual agencies and the government. Delegation to the chair and troika-plus further limits access to the policy debate for non-troika members. Space may be needed for policy discussions among donors beyond the institutional machinery.
- A linked and harmonised system of permanent working groups (or other appropriate forms of specialised dialogues) for sector monitoring and assessments, etc. is needed to ensure the professional expertise required is available and to permit inclusiveness of stakeholders.
- With chairmanship of a GBS group, exposure to and intensity of relations with government increase; the reduction and loss of direct contacts with government when the chairmanship ends has to be recognised by headquarters (this may be more of a problem for large donors).
- It would not be advisable to delegate all analytical capacity. A minimum should be maintained within the agency to follow the events, to do strategic thinking and to maintain credibility. Targeted outsourcing to local institutions and experts, in particular, remains an option.
- In Mozambique, the main partner for GBS donors is the Ministry of Planning and Development, for the IMF it is rather the Ministry of Finance. Since the restructuring of the Ministries in 2005 and the split between planning and finance, attention has to be paid to maintain good working relations with both.
- In Mozambique, a team with an equal number of members from the Government and the donors is co-authoring the Aide-Memoire of the Joint Review and the mid-year review. While being a good and equitable set-up, in practice donors still dominate.

### **Relations between the GBS group, other donors and the IMF**

- The GBS chair should maintain good relations in appropriate forms with non-GBS donors, in particular the UNDP, as convenor of the Development Partners Group (DPG), with USAID and other donors. Depending on the GBS arrangements, they may be welcome as observers and are involved at the working group level.
- It can be useful to establish contacts also with non-GBS and non-DPG donors, such as China, or with NGOs such as the Aga Khan Foundation.
- A good working relationship with the IMF is vital. In case donors leave the macroeconomic field largely to the IMF, donors should insist on a minimum participation in IMF missions. The arrangement in Mozambique may be of interest when IMF missions visit the country: (1) A meeting takes place at the start of the mission where donors can raise their concerns, (2) Troika-plus meets IMF mission in the second part of their stay, to discuss pending overlapping issues in a limited set-up, (3) At the end of the mission a full debriefing follows.
- The GBS group is potentially a powerful lobby in IMF and World Bank affairs. Attention should be paid to early and coordinated interventions in Washington, passing through headquarters. A coordinated input does not prevent individual countries from adding their own deliberations.
- In Mozambique, the group of economists has been biased towards public financial management. Recently a second sub-group has been created,

focusing on macroeconomic issues and growth. This measure should allow the group to strengthen the dialogue with the IMF.

### **Relations between the Swiss in-country Coordination Office and Headquarters (SECO/SDC)**

- Before committing to becoming (in-coming) chair, full backing by headquarters has to be ensured. This includes a dialogue on the potential implications of chairing for the agency (see introduction), on how the role is understood, and the financial backing.
- Headquarters should be fully aware of the implications of the chairmanship, beyond the financial implications. As GBS is a SECO affair, SECO has to cover the costs. As the implications affect the entire programme, SDC has to be involved as well. A meeting at headquarters level might be indicated.
- It is important that headquarters are also informed about the sector situation and the comparative involvement of donors in sectors, in view of a strategic specialisation and division of labour. It may be more attractive and an opportunity to engage in a sector with fewer donors (e.g. tax reform, judiciary, water) instead of doing the same as all others do (health, education).
- The chairmanship is an opportunity for higher visibility of Switzerland in the host country. The fielding-country office and headquarters should reflect jointly on how best to market the chairmanship in Switzerland (media coverage, visits of members of parliament, etc.).
- Mozambique, as a 'donor darling' with huge portfolios, is a real professional challenge for a career in development. This leads to the placement of highly capable and motivated but also ambitious people, which affects the work. On the other hand, the contrary is the case for diplomats: poor developing countries are usually not perceived as attractive places.

#### **Added value of Swiss chairmanship in Mozambique**

1. While the preceding chair (UK/DfID) had been strongly pushing its conceptual priorities, the Swiss chairmanship served to consolidate the situation, to strengthen the steering machinery and to pay attention to aspects of inclusion (UNDP, US, Japan, African Development Bank).
2. Switzerland served and was perceived as a determined but pragmatic voice to accommodate all donors, also minorities, and maintain or develop good relations with non-GBS donors.
3. It has been a priority of the Swiss chair to include the decentralised and provincial perspectives in the GBS review machinery. This move brought astonishing progress within one year. With the new government in place since 2005, decentralisation became a high-ranking political issue.

#### **Internal donor affairs**

- The danger arises that the chairmanship provokes a severe drain on internal leadership in on-going operational affairs. Additional capacity has to be complemented by (temporary) organisational measures to secure good internal processes and the presence of competent, decision-making staff. A

possible measure is to give more decision-making power to the deputy head of cooperation or another member of the management team.

- Coaching of the team and regular internal information on the discussions in the GBS group must be transparent, to sustain the learning process, and to get feedback and strengthen linkages. In Mozambique, the team developed a perception of value, in particular regarding sector-related information, beyond the chairmanship phase.
- In-house windows for reflection should be built into the timetable beyond the management of day-to-day affairs.

### **GBS-related insights**

- A Joint Assistance Strategy (JAS), emerging from the GBS-Group or from the wider Development Partners' Group (DPG), can become a vehicle for further harmonisation. The GBS group in Mozambique noted that 14 of the 17 partners were simultaneously involved in their country strategy multi-year planning. Could this be an opportunity to make a common step further? A JAS is now in an early stage of discussion.
- Strategic progress in harmonisation and alignment will become harder to achieve in future because the 'easy wins' are over. In order to reduce transaction costs, the basic orientation should be to deal with sector support and project support along GBS lines: (1) alignment to budget cycle, (2) on-budget (on-planning, on-accounting, on-treasury).
- When engaging in sector working groups of the GBS process, strategic choices have to be made. Participation only makes sense if there is an intention to participate fully for several years and in a pro-active way. A substantial, internationally renowned backstopping is necessary. Minimum participation does not produce added value.
- As Mozambique's GBS group is a convenience organisation, not having its own judicial status, some donors faced internal hurdles in getting approval of the resource envelope to cover chairing expenditure (secretariat, translations, website, receptions, joint review logistics and catering, etc.).
- In Mozambique, intensive discussions emerged about the donor rating after the "Perfect Partners?" study in 2005, and a great effort was required by the chair (and intense pressure by joint Government – IMF efforts) to lead the GBS group to a consensus with substance. The provocative study led to a detailed review and a productive revision of the donors' PAF.
- In Mozambique, during negotiations, the Government refused a proposal to include in the MoU a reference to the Cotonou process, for application in the case of a political dispute between donors and the GoM; the GoM wanted to retain full flexibility in managing risks bilaterally.

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