

Mozambique

Holding Donors Accountable

By Dr Richard Gerster



Switzerland's ambassador signs the contract for budget support 2004

Keeping donors happy takes up fifty percent of my working time." This assessment was uttered by the head of Mozambique's National Directorate of Water some years ago. "I hardly manage to do my actual job. Even though we are primarily accountable to Parliament and our people." Numerous reports need to be written and each week donor missions arrive who want to make sure that progress is made. This untenable situation was one reason why co-ordination among the donors of foreign aid has become increasingly important. One way of making cooperation more effective is budget support. Adhering to shared rules and aligning to the procedures of the Government of Mozambique, 19 donors make use of this modality, 16 countries and three international organisations. In addition, the United Nations and USAID are associated members as they are important players but do not provide budget support.

Equal footing

In return for contributions to the budget, the government assures concrete reforms, for ex-ample improving the business climate or enabling schooling for more girls. But while an extensive catalogue of measures on the government's side is taken for granted, the donors are having a hard time improving the coordination of their cooperation and

making it more predictable. The principle of mutual accountability has been anchored internationally for the first time in 2005 in the context of the Paris Declaration on Aid Effectiveness, and was confirmed in the declarations of the follow-up High Level Meetings in Accra (2008) and Busan (2011). Developing countries should not be the only ones presenting their achievements; also donors should be assessed with respect to fulfilling their own principles and promises. This is how the donor-recipient relationship can be established on more equal footing. However, the imbalance of power cannot be disposed of completely.

When it comes to a partnership put on equal footing, Mozambique has been a pioneer in measuring donor performance. Programme Aid Partners (PAPs) and the government have agreed on a donor matrix. 23 indicators (2012) measure to what extent aid is allocated on a selective or programmatic basis, whether payments are made in a predictable manner, whether donors provide transparent aid information, whether funds for the government are passing through the treasury account, whether in terms of auditing or procurement PAPs are using government rules or by-passing national procedures. Specific goals for the PAPs as a group and for every individual donor are proposed, discussed and agreed for each year and the

results are presented in a public report in the following year. During the annual conference on programme aid not only the government's successes and failures are discussed, but this report also serves as a basis for the discussion on the donors' achievements. The evaluation and conclusion are included in the annual conferences' official final document ("Aide mémoire") which is also available to the public.

The annual reports on donor performance paint a mixed picture. The same unresolved issues repeatedly came up over the years. Program aid is the preferred aid modality of the Government of Mozambique. However, the share of budget support and basket funding lags behind the agreed targets. Aid predictability is a second major concern for the Government of Mozambique. Compliance to the time-table for disbursements over the short term is poor. And over the medium term most of the donors concluded a multi-year agreement with government but when the contract is coming to an end, predictability on the margin approaches zero because most of the agreements are not rolling. Another issue is the number of missions which regularly by far exceeds the target figure. In 2012, instead of the agreed 100 missions for all the PAPs, 158 arrived in Mozambique, up from 137 in the previous year. And again, instead of organising 40 percent of the missions jointly with other donors as agreed and targeted, this happened for 17 percent only. Such missions cause extremely high transaction costs as described in the report for 2011: on the part of the government administration two senior technicians and a director may be involved, they have to prepare, attend and evaluate the meeting, with the effect that one single meeting of two hours duration with one mission may absorb about 2.5 work days of highly qualified staff. The advantage of joint missions with shared negotiation and inspection trips is evident. In other words: In 2012 one of these PAP missions almost arrived every other day.

The top donors

Switzerland has not only co-signed the Paris Declaration and those of Accra and Busan, but also contributed significantly to the elaboration of the matrix in Mozambique. In 2004-05 Switzerland held the chair of the donor group and – with the agreement of the government and other donors – promoted the "Equal Footing Project". Switzerland co-financed preliminary work as well as a first independent assessment of the transparency, predictability and coordination in the PAPs' support to the Government of Mozambique.

The donors' difficulty when it comes to the implementation of their own principles and commitments is disillusioning as already

indicated. In 2012 the donor group fulfilled only one out of 23 targets – a poor balance indeed, as was also openly documented in the public report. In previous years the performance had been better but not really encouraging, either. While there is progress in some isolated areas, there is constantly room for improvement in most of the areas of concern to the Government of Mozambique. If donors do not take seriously their own performance standards, it also undermines the legitimacy with which they demand re-form achievements from the government.

The donors' performance was assessed for the first time in 2004. The government took notice of this effort but argued that a collective assessment of the group was only a first step and that it would be more useful to have an individual appraisal for each donor. In the sub-subsequent year an independent international team produced the first fully fledged donor performance report. The independent research association IESE authored the respective annual report from 2006 to 2010. The matrix was continuously adapted. Since 2011, the Government of Mozambique produces the report on the PAPs assessment itself, and the matrix underwent a more substantial revision for 2012.

Since 2005, there are also performance statements for individual PAPs which provide positive visibility for the good performers. In 2012 Great Britain and Canada were top. Ireland, Austria, Norway and Denmark as followers were categorised as "advanced" (medio alto). Switzerland, in earlier years regularly found among the top performers, ranked just 16 among 21 donors, slightly ahead of the World Bank. Portugal, Germany and the two associated members – United Nations and USAID – are bringing up the rear.

A good ranking contributes to the donor's credible appearance in the donor group and when negotiating with the government. A negative result builds up pressure among the donors to make improvements. Only a few accept the risk of having a reputation to not take seriously joint concerns. A few donors even take the comparative results and present them in their capitals in order to work towards changes. However, there are also voices which fear that the ranking could be discouraging if the levelling board is set out of reach.

Incentive

The matrix is more than a "beauty competition" among donors. Rather it should be an incentive to improve their behaviour and, for example, increase the predictability of the budget support payments. Because the Minister of Finance has to know which external contributions can be counted upon, before he can present the budget to Parliament. The transparent matrix has effects via:



The envisaged discipline among donors is not an end in itself, but should serve the provision of basic services for the population, for example improved access to drinking water

- Self discipline: Switzerland, for example, was for a long time not in a position to commit to the contribution for the following year before the end of August at the latest - a requirement specified in the joint contract (MoU) and an absolute necessity if the Ministry of Finance wants to present the budget for the following year to Parliament on time. The reason was that Switzerland as the only country had the additional condition that Parliament already needed to have approved the budget before its contribution could be committed. Three other donors also abolished special rules and contributed to the harmonisation of the cooperation conditions.
- Peer pressure: Starting in 2009, Sweden's budget support was based on a new contract with duration of four years – for the first time. Until now, Sweden only signed one year agreements. But almost all donors had changed to agreements spanning more than one year, because this is the basis for the government's real financial planning. Over time, the pressure on Sweden grew to change the old and hardly useful practice. Because, like all other budget support donors, Sweden had agreed to the matrix which, among other things, foresees at least three year contracts.

Untapped opportunities

If donors want to exert pressure on the government, for example to effectively fight corruption, they specifically demand that a goal is included in the government's performance assessment framework. Of course, the donors' matrix offers the same opportunity. If a demand is anchored in a

written document, it gains in relevance. Switzerland has taken advantage of this fact in order to change the donors' tax practices. Because, on one hand the donors ask the government to mobilise its own income. On the other hand, it is common practice among the donors to ask for value added tax exemption for projects financed by external funds. This is a contradiction. In the 2008 negotiations Switzerland succeeded in including an open declaration of the donors' extent of tax exemptions in order to reduce it.

Just like donors propose aid conditions to the government, the Government of Mozambique can use the donor matrix as a tool for negotiation. In reality, however, this has hardly been the case so far. How come? "The government will be very careful in exerting pressure on the donors, because it has to reckon that the donors will also demand more from the government", assesses Carlos Castel-Branco of IESE. He and his team have authored the donor performance reports for several years. The case of Mozambique illustrates that mutual accountability can be more than reciprocal pats on the back. The experiences are equally fragile and encouraging. However, to demand accountability from the donors is an innovative approach for more effectiveness and is now also used in other countries, for example Rwanda or Burkina Faso.

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