

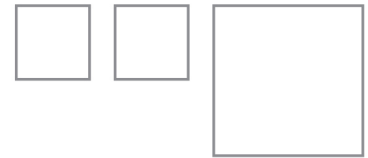


Donor Harmonisation in Practice: **Swiss Experiences in Chairing** **Multi-Donor Budget Support Groups**



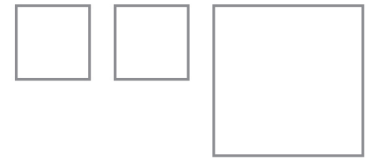
The General Budget Support Group Troika in Tanzania (2006/07)





Inhalt

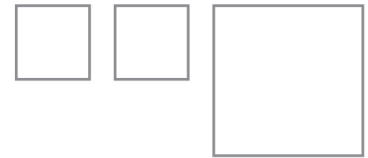
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Executive Summary

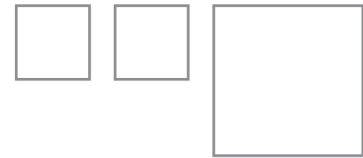
Over the last five years, Switzerland acquired a wealth of experience in chairing multi-donor budget support groups, namely in Burkina Faso, Ghana, Mozambique, Nicaragua and Tanzania. This paper identifies considerable added value to be gained from this role in terms of aid efficiency, development effectiveness and visibility for a small donor like Switzerland. The Swiss chairs made successful efforts to innovate and improve institutional budget support delivery structures and to design more effective and inclusive processes. Moreover, ten good practices in chairing multi-donor budget support groups are identified:

- 1.** Negotiate and achieve well in advance agreement within your country team and with headquarters with respect to the objectives of chairmanship and on the vitally needed support package;
- 2.** Start early with a stocktaking effort among the donor group, agree on priorities, a work programme, and a partition of labour among steering committee members;
- 3.** Take into account the expectations of and find an agreement with the partner government with respect to priorities during the chair period to ensure their ownership;
- 4.** Proceed with an inclusive approach: promote the participation of domestic stakeholders in the process, build relations to media and non-budget support donors;
- 5.** Pursue an inclusive approach also among development partners and take diversity into account: consensus at all costs might be less productive than openly stated differing views;
- 6.** Identify one key issue of strategic importance for the period of your chairmanship and follow it up systematically;
- 7.** Keep your own staff on board by providing regular information, focusing on organisational issues, lowering transaction costs, and simplifying procedures, if possible;
- 8.** Keep in mind the core purpose of general budget support and never crowd out strategic orientations when managing everyday affairs;
- 9.** Develop crisis management scenarios based on a profound understanding of the local realities and context;
- 10.** Use the role of the chair to raise Switzerland's profile in the partner country and that of general budget support in Switzerland.



Acronyms

DP	Development Partner
GBS	General Budget Support
IMF	International Monetary Fund
MDBS	Multi-donor Budget Support
MoU	Memorandum of Understanding
MTEF	Medium term expenditure framework
OECD	Organisation for Economic Co-operation and Development
PAF	Performance Assessment Framework
SDC	Swiss Agency for Development and Cooperation
SECO	State Secretariat for Economic Affairs
SFR	Swiss Francs
SPA	Strategic Partnership with Africa
UN	United Nations
UNDP	United Nations Development Programme



1. Objectives and methodology

This paper deals with Switzerland's experiences gained from chairing budget support groups during the past five years. As it is assumed that the overall achievements and weaknesses of budget support are known to the reader, they are not elaborated here.¹

The **objectives** of this paper are to review the added value of the general budget support chairmanships, and to draw lessons learned for similar exercises involving Switzerland or other donors. In doing so, this paper presents a number of experiences and makes use of evidence based insights in order to draw practical conclusions, rather than meeting specific scientific standards.

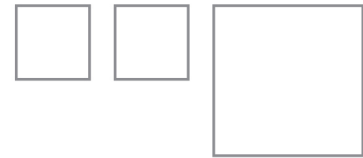
For its elaboration the following **data** were analysed: (1) a number of internal documents; (2) interviews primarily with staff in Swiss Cooperation offices in 2006 and 2010; (3) selected papers by third parties.² There is an emphasis, therefore, on perceptions made by Swiss cooperation, while those of other donors remain limited. And while the partner governments' perspective would also have been interesting to include, it was left out for the sake of a reduced transaction costs. As a result, the lessons focus on donor internal affairs rather than the relationship between donors and partner governments.

2. Context

In 2005, Switzerland, together with many other countries of all continents, accepted the **Paris Declaration on Aid Effectiveness** as a future guideline for delivering development support. The signatories of the Paris Declaration agreed to respect five key principles of international cooperation, as are ownership (partner countries own and exercise leadership over their development policies), alignment (donors align their overall support on partner countries' national and sectoral development policies), harmonisation (donor actions are more harmonised, transparent and collectively effective), managing for development results (managing resources and improving decision-making for results), and mutual accountability (donors and partners are accountable for development results). The High Level Meeting in Ghana 2008 resulted in the Accra Agenda for Action which confirmed, complemented and further developed the understanding of the Paris Declaration. In particular the Accra Agenda added value related to more predictability of aid flows, the use of country systems, framing conditionality related to disbursements, and untying of aid.

¹ See e.g. (1) European Commission, Green Paper: The future of EU budget support to third countries, 19.10.2010, http://ec.europa.eu/europeaid/how/public-consultations/index_en.htm; (2) Budget Support in Practice Series on Benin, Burkina Faso, Ghana, Mali, Mozambique, Nicaragua, Tanzania in German, French and English, 2009 (http://www.gersterconsulting.ch/sites/res_budgetsupport.html).

² For details, refer to the last section "Sources" at the end of the paper.



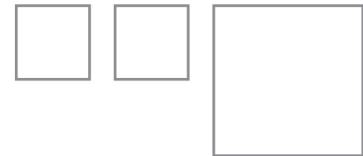
The Paris Declaration and the Accra Agenda for Action provide and demand a new vision of a donor's mission. If its contents are taken seriously, it requires a **transformation of the aid relationship**. Such a new understanding implies harmonisation among donors in delivering aid and alignment to the partner's procedures and institutions. It 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. It implies joint and more formalised dialogue structures reducing direct bilateral access to and influence on the partner government. It implies the readiness to practice mutual accountability between donor and the partner governments. The Paris Declaration approach requires a change of the mind-set and is a move towards a new cooperation culture. Yet years later many donors still behave very much like individuals instead of being part of a wider externally coordinated effort to sustain partner countries' primary effort to achieve development and poverty reduction.

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 on what other donors are doing. In some partner countries, the government clearly designates budget support as its preferred aid modality. In reality GBS is for all donors one of many instruments – albeit an important one. Despite this coexistence of various 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 and Accra principles. The chairmanship of a GBS group, therefore, is a unique chance to participate in such a cooperative effort.

The **chairmanship** of multi-donor budget support (MDBS) groups also challenges the agencies' own understanding of aid effectiveness 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. Field concerns had been at the origin of many GBS arrangements and headquarters took up country driven initiatives. The international debate on aid effectiveness was strongly nourished by experiences stemming from budget support.

3. Switzerland chairing multi-donor budget support groups

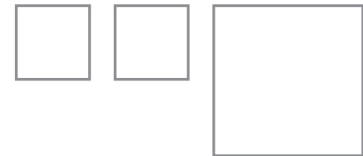
Switzerland, more precisely the Swiss State Secretariat for Economic Affairs (SECO), has been an **early mover** and risk-taker at the forefront of providing GBS in a number of countries. The instrument was launched in Mozambique as early as 1996, with Switzerland being part of the first group of four donors. During the years Switzerland participated in the provision of GBS in Benin, Burkina Faso, Ghana, Kosovo, Nicaragua, Tanzania and Vietnam. The overall annual GBS volume provided by Switzerland amounted up to SFR 40 million depending on the year, being some two percent of overall Swiss official development assistance (ODA). Switzerland usually practices GBS as a package, combining funding, performance agreement, policy dialogue, capacity building, and accountability. In all



partner countries Switzerland followed a portfolio approach: budget support was one instrument among many, complementing a diversity of poverty reduction oriented projects and programmes.

An **active GBS commitment** helps to shape Switzerland's good reputation despite it being just one of many players. While GBS contributions, generally between SFR 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. Usually the Swiss GBS contribution makes up for just a few percent or even a fraction of one percent of the overall GBS package. Table 1 provides an overview of key numbers relating to Swiss GBS.

GBS country	Benin	Burkina Faso	Ghana	Kosovo	Mozambique	Nicaragua	Tanzania	Vietnam
Year of GBS group launch	2003	2001	2002	2010	1996	2005	2001	2009
GBS volume in SFR (2008)	200 Mio. (2007)	297 Mio. (119 Mia CFA)	438 Mio. (381 Mio USD)	30 Mio. (20 Mio. EUR) (2010)	500 Mio. (448 Mio USD)	92 Mio. (2007) (80 Mio USD)	825 Mio. (2008/09) (717 Mio USD)	649 Mio. (2009) (590 Mio. USD)
GBS in % of the gvt budget (2006/07)	5 (11% of exp.)	15.8 (2007) 13.8% of exp. (2006)	7 (2009)	2.7 (2010)	15.6 (2008)	7	12 (2008/09)	0.651 (2009)
Number of GBS group members (2008)	8	9	11	11	19	9	14	8
Swiss GBS contribution in SFR (2007)	1.5 Mio. 1.7 (08/09)	8 Mio.	9 Mio.	1.3 Mio. (2010)	8 Mio. (2008) decreasing 2010-2012	6.5 Mio.	6.5 Mio. (2008/09)	4 Mio. (2009)
Swiss share (%) of total GBS volume	0.75	2. (2008)	2.4 (2008)	1.2 (2010)	1.7 (2008)	7.7 (2008)	0.79 (2008/09)	0.68 (2009)
Period of Switzerland providing	2003 – 2009	2001 – 2011	2002 – on-going	2010 – 2012	1996 – 2012	2005 – 2010; suspended since	2001 – 2010	2009 – 2011



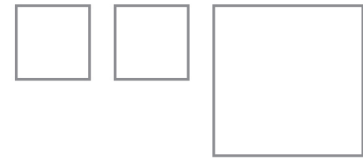
GBS country	Benin	Burkina Faso	Ghana	Kosovo	Mozambique	Nicaragua	Tanzania	Vietnam
GBS						2009		
Year(s) with Swiss GBS chair or co-chair	-	2006 + 2009-2010	2009-2010	-	2004-2005	2005-2006 + 2008-2009	2006-2007	-

Table 1: Overview of Switzerland's engagement in budget support (source: SECO)

The last row in table 1 shows that Switzerland has considerable **experience in chairing MDBS groups** and donor coordination. It chaired the GBS group 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 budget support group of 9 donors in Burkina Faso in the same year, and in 2009/10 Switzerland became part of the coordinating donor troika in the same country. The donor group in Nicaragua also appointed Switzerland as its chair in 2005/06, and again in 2008/09. In Ghana, Switzerland was elected co-chair on the donors' side for the MDBS-group in 2009/10. In Benin Switzerland never run for the chair, and in Vietnam the budget support partners are co-financing the World Bank's Poverty Reduction Support Credit (PRSC) making the World Bank the "logical" chair of the MDBS group. In Kosovo SECO and the Swiss Agency for Development and Cooperation (SDC) jointly contribute to the World Bank led multi-donor trust fund.

There are some **preconditions** to be met for successfully chairing MDBS groups. In most of the MDBS groups donors perceive the position of the GBS chair to be an attractive one which sometimes even results in a competitive context. However, there are also some instances where there is no queuing for this additional work load, such as Burkina Faso. Usually, sufficient capacity is an essential criteria for the eligibility of future chairs. Furthermore, the donor's expertise in key areas of cooperation should be widely acknowledged, and networking experience is more than helpful. The donor also has to be recognised by the partner government as assuming a committed and active role in the GBS set-up including in some of the working groups. Under such preconditions an application to chairing the group will be promising.

There is no free lunch – chairing these groups is costly if quality services are to be provided. An **additional, temporary investment** in the range between SFR 80'000 (for a chair during six months up to SFR 300'000 (for 12 months, plus six months in-coming and six months out-going chair) was required to cover the following costs: a temporary reinforcement of staff capacity at the Swiss Cooperation office, the secretariat of the GBS group, organisation of meetings (annual review, retreats, workshops), the elaboration of GBS related media information, missions, and consultancies. The effort permitted to achieve the standards envisaged. As the GBS groups are convenience organisations, they do not have



their own judicial status. Some donors faced internal hurdles in getting approval of the resource envelope to cover chairing expenditure .

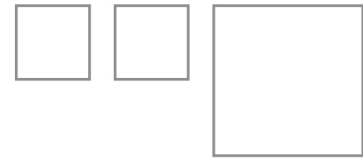
Similarly, Switzerland invested in **knowledge exchange platforms on GBS** experience in other institutions like the Development Assistance Committee (DAC) and the Strategic Partnership for Africa (SPA). In the framework of the GBS group, a Swiss chair cannot rely on the quantitative volume of Switzerland's contribution alone, but has to also count on the quality of its arguments, on alliances and consensus building. The following lessons learned are based on and drawn from this rich and practical experience in the partner countries mentioned.

4. Achievements and added value

The main achievement of the chairmanship in a group of like-minded budget support donors is, of course, to ensure a **smooth running and strengthening of the GBS annual cycle**. A core part of the cycle is the annual review with the high level policy dialogue and the monitoring of the performance assessment framework (PAF). The Swiss chairs used their influence to arrive at a stronger focus of the policy dialogue on key issues for development which could either jeopardize growth and poverty reduction efforts or have implications on GBS functioning and funding over the medium term. More generally, the Swiss chairs made strong efforts to create appropriate institutional structures for a successful GBS delivery, notably (1) in Burkina Faso based on the transitional arrangements for the newly created troika; (2) in Ghana by innovation and improvements of GBS practices; (3) in Mozambique based on the then new Memorandum of Understanding (MoU); (4) in Nicaragua, to get GBS off the ground; and (5) in Tanzania to align and substantiate policy dialogue. More details on these country examples follow:

In **Burkina Faso** development partners restructured their institutional set-up during 2009/10 due to the government's request. Switzerland, jointly with the World Bank and the United Nations Development Programme (UNDP), was part of the troika preparing a more lean and focused donor structure to make policy dialogue with government more efficient. The new structure is much more ambitious and inclusive as it represents all development partners (DPs) who are a member of the network and not only the GBS-DPs. Switzerland played a leading role in the creation of appropriate structures and defining the roles of the institutions involved. A professional group secretariat was set up to reinforce these joint efforts. The creation of this secretariat had been a condition for Switzerland to participate in the troika.

Ghana is an example of how a small donor like Switzerland can stimulate innovation even in a well-established donor group. Among the changes introduced the following can be found: (1) a reorientation of the policy dialogue on few key cross-cutting issues (like decentralisation, climate change, monitoring and an evaluation system) while leaving more technical topics to the sector working groups; (2)



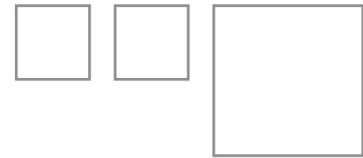
the participation of the government in core group meetings of GBS-DPs; (3) the establishment of a macroeconomic sub-working group in the absence of a programme by the International Monetary Fund (IMF); (4) an active dissemination of GBS information in Ghana. This innovative role of Switzerland was facilitated by staff rotation and drawing on earlier experiences made in chairing the GBS donor group in Tanzania.

In **Mozambique**, the former prime minister of Mozambique, Luisa Diogo, summed up the Swiss role in her statement “Switzerland makes a difference”. Notably the following three achievements are to be highlighted:

- While the preceding chair 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. 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.
- 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 at the time, decentralisation became a high-ranking political issue. Still today, donor and government representatives make two provincial visits when preparing the annual review.
- Making the GBS process more transparent was a key concern of the Swiss chair. A specific GBS website (www.pap.org.mz) was created in 2005, facilitating access to all relevant documents which again stimulated the transparency of the government’s operations.

In **Nicaragua**, Switzerland offered a helping hand to the GBS kick-off: The Swiss chair organised the initial structure and logistics of the joint budget support mechanism (annual and mid-year reviews, working groups, etc.), which were taken up and continued to function in the same way until the suspension of the modality. Moreover, Switzerland promoted and led the introduction and implementation of a medium term expenditure framework (MTEF), a tool that now covers all the institutions of the central government and state branches, and that has given high visibility to Switzerland among donors and government alike.

In **Tanzania**, the Swiss chair made great efforts to align the GBS related dialogue throughout the year to the public expenditure review (PER) annual cycle in order to harmonise and mainstream the debate on key issues. Examples of such key issues were domestic accountability, corruption, local government reform, human resource and pay reform, energy and infrastructure. The efforts to have a meaningful, strategically oriented dialogue contributed to aid and development effectiveness. Another significant innovation was the development of a media fact pack on GBS to improve information of local stakeholders on budget support.

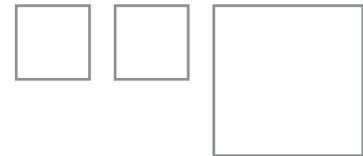


An external view of the way the partner government and GBS donors do business can be helpful to identify the relationship's strengths and weaknesses. After consulting the government and the troika, the Swiss chairs in Mozambique and Tanzania initiated an independent "**learning assessment**" of the interactions and functioning of the GBS related institutions and procedures. A learning assessment analyses strengths and weaknesses as well as opportunities and threats of GBS at a given time, putting options for improvements on the table. Whereas a number of recommendations have been implemented, others were not as their appropriation by the development partners or the Tanzanian government was not sustainable.

The principle of **mutual accountability** views aid relations as a balanced partnership with reciprocal obligations. Despite being anchored in the Paris Declaration, this principle is still rather uncharted territory. Swiss chairs stimulated the creation of operational, symmetrical accountability mechanisms, in the form of PAFs – not only for the partner government but also for the development partners (DP-PAF). The donor PAF in Mozambique has now been in operation for five years, in Burkina Faso for three years, and recently donors and the Government of Ghana adopted a DP-PAF as well to be implemented for the first time in 2011. In Ghana the DP-PAF idea was born within the MDBS context and then expanded beyond MDBS-DPs.

A constant Swiss concern across its partner countries is to **strengthen the role of civil society** in the development process and aid architecture. The interactions between governments and donors must not weaken domestic accountability but lead to a more inclusive set up for domestic players. In Burkina Faso in 2010, as a major innovation, the two matrices of performance indicators and measures for the poverty reduction strategy ("Cadre stratégique de lutte contre la pauvreté, CSLP") and for GBS ("Cadre général d'organisation des appuis budgétaires, CGAB") have been melted into one unified matrix. Based on a Swiss proposal in the troika, a consultation of civil society organisations was undertaken leading to important contributions to the measures and indicators, making the unified matrix more effective. Moving a step further, the Burkinabe government formally nominated civil society representatives as members of the steering committee for the new and fundamental strategy of accelerated growth and sustainable development (SCADD).

It is a common experience by all GBS chairmanships that **Switzerland's reputation** is strongly enhanced among partners in the government, the public as well as other stakeholders alike. A concluding internal report of SECO on the chairmanship in Ghana notes: "A positive side effect was the role Switzerland played as a co-chair in the public/press and as a special guest at events. MDBS became a cornerstone in Switzerland's diplomatic relations with Ghana and allowed the Ambassador high level interactions." And: "The MDBS co-chairmanship allowed Switzerland, as the second smallest contributor to the MDBS, to play an important role in the DP-government relations and increased Switzerland's visibility in Ghana dramatically. Switzerland stepped up its presence with respect to the press, the non-state actors, the parliament and other DPs. It was a rare opportunity to play the role of a MDBS co-chair."



Three layers of added value of GBS chairmanships

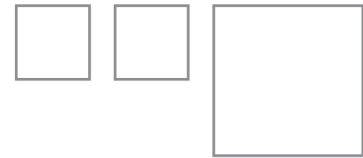
In a nutshell, being the chair of a MDDBS group, may produce multiple added values at several levels:

- The aid and development effectiveness and efficiency can be enhanced by GBS related initiatives, as the experience exemplifies, e.g. by making the processes more inclusive and strengthening accountability to domestic stakeholders.
- Holding the chair, Switzerland benefits from a leverage effect. It facilitates feeding Swiss inputs into policy dialogue, inputs which often are based on field experience made in other projects and programmes. As a chair, Switzerland has a direct and easy access to high ranking authorities of the partner country.
- Switzerland's visibility is strengthened in the donor community as well as with the partner country authorities, reinforcing its reputation of being a committed and credible player without a hidden agenda.

The annual budget support survey under the umbrella of the Strategic Partnership for Africa (SPA) is a unique source of information on budget support on the African continent. It includes a detailed rating of donors by the partner governments, based on perceived compliance to the rule of the game, the transparency and predictability of the donors' behaviour. Switzerland always achieved a rank in the first half of the donor community. Depending on the year, up to 21 donors were rated.

- 2008: 1. United Kingdom, 2. Norway, 3. Netherlands, **6. Switzerland**
- 2007: 1. Ireland, 2. Netherlands, **3. Switzerland**
- 2006: 1. Ireland, 2./3. Finland/Netherlands, **6. Switzerland**
- 2005: 1. United Kingdom, 2. Netherlands, 3. Denmark, **7. Switzerland**
- 2004: **1. Switzerland**, 2. Netherlands, 3. Denmark, 4. United Kingdom

Obviously, Switzerland enjoys a reasonable, in some years even an excellent reputation in terms of the quality of its cooperation. Acting as chair of various GBS groups certainly consolidated this position. Unfortunately after 2008 the SPA survey was discontinued.



5 Lessons learned

The chairmanship should be **part of Switzerland's (SECO/SDC) medium term and annual planning** of cooperation with the partner country. This facilitates the pursuance of strategic objectives which are linked to the overall cooperation portfolio.

The development of a **chairmanship support package** well in advance to the chair taking office is mandatory. 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.

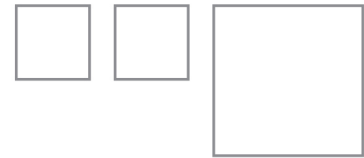
The chair needs to **combine strategic thinking with incremental step-by-step** measures. Pressing day-to-day affairs should not obscure the longer-term view of where the country and the donors will be in five or ten years' time.

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. In this regard, it should be pointed out that the instrument of GBS might not be appropriate to tackle some issues in the political dialogue (experience in Nicaragua). 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.

The chair usually is part of a team, sharing overall responsibilities with the incoming and outgoing vice-chairs, he may work within a formal troika (Burkina Faso), or even within a troika plus arrangement including the World Bank on a permanent basis (Mozambique). The experience in Burkina Faso shows the need for a clear and **agreed partition of labour among the troika members** in order to avoid the risk of an unequal burden sharing among them. The troika members, once elected, are not expected to simply represent the interests of their particular institution or constituency (bilateral, multi-lateral, or GBS) but to work for the benefit of the overall donor coordination.

To chair the donors' group and to represent Switzerland are **two different roles** and potential conflicts should be thought through in advance. The experience made by the different chairs was uneven: In some cases it was felt that it pays to separate the twofold roles and to deliberately mandate different persons with these roles, and in other cases having only one and the same voice for the chair and for Switzerland never became an issue.

Unexpected **crisis management** can be time-consuming for the chair. Early reflections on crisis management scenarios should be initiated deliberately. The political developments of some countries (e.g. Uganda or Ethiopia) on the one hand, and a weak knowledge of realities and contexts of the countries on the side of donors on the other hand, 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 do-



nors to be taken by surprise. It pays for DPs to invest into contextual understanding of the aid portfolio including GBS.

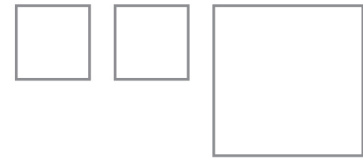
Adding capacity building to GBS funding can have trust-building side effects. Donors can show commitment and gain a more intimate understanding of selected issues by providing technical assistance. In Ghana, Mozambique and Burkina Faso, Switzerland is in the forefront of tax and procurement reform and, since this is a core element of the overall reform agenda, this commitment added to the credibility the Swiss chair enjoyed. The informative insights into fiscal procedures illustrate the challenges of reducing aid dependency and of alignment in line with the Paris Declaration principles.

Switzerland often makes use of **performance related tranches** in addition to fixed base tranches when paying out its GBS. Each donor selects performance tranches following its own preferences. Therefore, the triggers of Switzerland's performance tranche are usually not harmonised with those of other GBS donors – the main exception being Ghana. Due to their insignificant size the performance tranches are hardly effective to influence the partner government's performance in any degree. Chairing GBS groups in future, Switzerland could make an attempt to harmonise the performance tranche triggers among GBS-DPs with the aim to unravel the tangle of many different triggers which often only confuse the beneficiary government instead of providing an incentive to perform better in certain areas.

It is a widely shared opinion that donors should **speak with one voice**. The chair plays a key role in coordinating DPs and working towards a consensus. As mentioned in the terms of reference the troika in Burkina Faso, however, is asked to explain to the government the elements of convergence among donors as well as their points of disagreement. This open minded practice, sometimes considered a weakness, can also be seen as strength as it is in line with the idea of pluralistic politics which is pursued by most of the donors.

Independent external assessments – favoured by Swiss chairs on several occasions – can be an effective instrument to drive change forward among donors and in donor-government relations. Chapter 4 refers to the learning assessments and the DP-PAF. Both tools qualify donor behaviour in a transparent way and exert pressure on them to perform along the lines of the Paris Declaration and the Accra Agenda for Action. External assessments were instrumental in achieving the progress in aid effectiveness to date.

A clear commitment by the chair to GBS principles and, subsequently, a joint approach by government and donors, **can bring non-GBS programmes and projects on budget**. This may be the case within the portfolio of GBS-donors but even more so with non-GBS-DPs. Moving on-budget is key also for non-traditional donors, like the Clinton Foundation and the Global Fund to Fight Aids, Tuberculosis and Malaria (GFATM) in Mozambique, thus supporting the entire health system instead of funding drugs off-budget.



6. Internal donor affairs

61 Within country office

It is essential that the **ambassador is involved** in the process leading to chairing the GBS group. The top representative of the country should join the boat with conviction. He/she will be required to participate in a number of high level events and the vision of the chair as an opportunity for Switzerland should be shared. In the case of Burkina Faso with the ambassador residing in the Ivory Coast the distance did not pose any problems, due to clear delegation and information procedures.

There is a potential danger that the chairmanship provokes a severe **drain on internal leadership** in the donor's country office weakening 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.

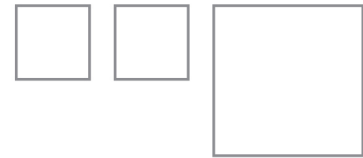
Coaching of the **team** and regular internal information on the discussions in the GBS group must be transparent to sustain the learning process, to get continuous feedback and strengthen linkages. In-house windows for joint reflection should be built into the timetable beyond the management of day-to-day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

It is essential to be prepared for the **post-chair period** which takes the country office back to business as usual, but will also be characterised by a loss of influence and visibility as well as less access to certain information. This change does not only affect the budget support programme but the entire cooperation portfolio. An early internal discussion on what assets and benefits in terms of expertise, established bilateral relations and reputation can be retained and how to proceed is useful to avoid a "post-chair blues". At the personal level many contacts will remain which can be mobilised informally if need arises.

62 Relations country office – headquarters (SECO/SDC)

Before committing to becoming (in-coming) chair, **full backing by headquarters** has to be ensured. This includes:

- Continuous dialogue and a shared understanding with respect to the objectives to be achieved during the period of chairmanship, on the potential implications of chairing for the agency, and on



how the role is understood. In particular, the country office and headquarters should jointly formulate a set of specific time-bound objectives, covering all domains.

- A clear commitment to an adequate financial backing in order to build up the necessary human resources in the country office and for other expenditure related to the role of GBS chair.
- If both agencies are operational in the same country, both SDC and SECO should be also involved at the headquarter level, as the implications affect the entire programme. So far this has been the standard case but as the division of labour between SDC and SECO is evolving towards being allocated according to country, this will become the exception, rather than the rule.

In view of a **strategic specialisation and division of labour**, it is important that headquarters are also informed about the sector situation and the specific involvement of other donors in the respective sectors. 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 what everybody else does (health, education).

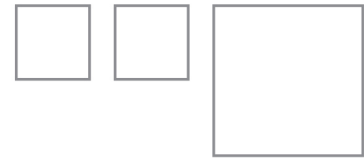
As mentioned before, the chairmanship is an **opportunity for higher visibility** of Switzerland in a partner country. The country office and headquarters should reflect jointly on how to best market the chairmanship also in Switzerland (media coverage, visits of members of parliament, etc.).

Backstopping efforts (in particular the provision of a specific credit line, and the exchange of experience with other SECO GBS countries) by headquarters are appreciated in the country offices. However, there are different views and it has also been stated that more delegation of responsibilities in the decision making process to country offices, or more presence of headquarters (i.e. through more visits) in the field could add more value to the Swiss contribution in GBS and facilitate fast and contextualised interventions.

7. Stakeholder relations

71 Role of chair within multi-donor budget support group

Trust-building is key. It may temporarily happen that large multilateral or bilateral donors are not 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. Opting out of a large member undermines the group achievements of a coordinated approach. In Ghana the World Bank (despite being part of the troika) initiated a stand-alone budget support operation with performance criteria separate to the PAF of the GBS framework. The Swiss chair made a major effort to



keep things together, and it was agreed with the government to reopen and renegotiate the PAF in order to save the coordinated approach.

A **stocktaking effort** at the beginning of the chairmanship has proven to be an invaluable element of trust building. In Ghana and Tanzania the chair visited all GBS agencies individually to get first-hand information on their concerns and priorities, and equally to explain the Swiss approach to the chairmanship and take the other players on board. In Nicaragua, a plan containing the priorities of the Swiss chair was discussed and agreed upon with donors.

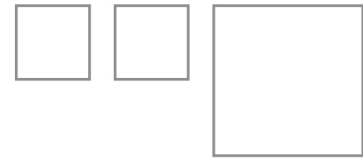
The **key items on the agenda** for the 12 months to come are to be identified and agreed upon early and followed up throughout the year. Attention should be paid in order to not overload the agenda, but to prioritise already among donors. Listening and searching for consensus and compromise may be more effective than pushing forward an agenda that is not inclusive.

It is important to **give space to different views** and balance them in the troika. There can be unity in diversity. The GBS donors have very different work cultures and motivations to provide GBS – some aspire to influence government policies whereas others just want to buy a seat at the negotiation table.

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 DP-PAF in Mozambique ultimately included also some donors who did not appreciate this instrument and would have preferred a zero result (despite their headquarters signing the Paris Declaration). Under group pressure, however, they participated in the exercise and went beyond the minimum.

The institutional set-up and the role of the **GBS group secretariat** are to be clearly defined in relation to the partner government and the GBS group members to reduce sources of conflict and ensure efficient services.

In many cases, the responsible people acting as GBS chair tend to assume this role in a late stage of their duty tour in a country and often leave their posting upon completion of the chairmanship. **Continuity** in the form of another well informed staff member (such as national programme officers) is essential but not sufficient. In the case of Tanzania and Ghana, the Swiss staff who chaired the group stayed on for up to one year. In the case of Tanzania, the chair-troika is set up in a way that the out-going chair is part of the chair-troika. In Ghana, there is no formal role for the out-going chair. Whether formalised or not, the out-going chair still plays an important role as an elder statesman advising not only the incumbent chair but also the group as a whole. It often occurs that a situation a former chair experienced is reoccurring. In order to learn from the past, chairs often seek advice from their predecessors if they are still reachable.



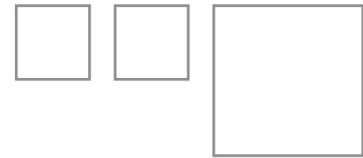
72 Relations between budget support donors and other donors

The GBS chair should maintain – in appropriate forms – **good relations with non-GBS donors**, including non-traditional donors like India or China, and also UNDP, often being convenor of a larger development partners group. In Ghana, the UN, US and Norway as non-GBS donors are welcome as observers in the GBS group and are involved at the working group level. In Mozambique the MoU for the GBS group of 19 programme aid partners was revised in 2009 and offers the possibility of an “associate membership”: This offers non-providers of GBS like USAID and the UN the opportunity to participate in almost all the meetings, however, it is also expected that they participate in the performance assessment exercise of development partners. In Burkina Faso the new set-up with a troika (see chapter 4) is no longer limited to GBS donors but represents a larger community of development partners. In Ghana, in 2010 Australia, Israel and China occasionally participated in some meetings.

A good working **relationship with the IMF** is vital. In case donors leave the macroeconomic field largely to the IMF, the chair of the GBS group should insist on a minimum participation in IMF missions. This is not a question of trust, but rather of access to information and efficiency. In Burkina Faso two development partners representatives participate in the meetings between the IMF mission and the government as observers and report later on to their colleagues. In Mozambique and Nicaragua the following arrangements are in place during IMF missions to the country: (1) A meeting takes place at the start of the mission where donors can raise their concerns; (2) troika-plus meets the IMF mission in the second part of their stay, to discuss pending overlapping issues in a limited set-up; and (3) at the end of the mission a full debriefing follows. The 2009 GBS MoU in Mozambique provides a special “ex officio” status to the IMF. Also in the case of Tanzania the cooperation between the GBS donors and the IMF is considered to be very satisfactory, the IMF is also a member of most GBS-related working groups and the donors get briefed when a IMF mission is in the country. As mentioned in chapter 4, the MDBS group in Ghana set up a macro sub-group to complement the IMF’s work. This sub-group was set up at a time when the IMF did not have a programme with Ghana.

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. Access to information including the above mentioned IMF missions is vital for the preparation and implementation of appropriate steps. A coordinated input does not prevent individual countries from adding their own deliberations.

73 Linking donors and domestic stakeholders (government, civil society, media)



It is obvious that a successful chairmanship essentially depends on **good working relationships with representatives of the partner government** at all levels. It is crucial to find an appropriate balance between ensuring government ownership on the one hand and leaving space to donor initiatives on the other. In such a way the role of the chair is very much like a mediator, accommodating different interests.

It goes without saying that directing a GBS group has to be a **joint approach** between the troika and the GBS secretariat in the ministry of finance. However it should be recognized that given capacity constraints within the government, a number of tasks which should be carried out by government are sometimes assumed by the co-chairs which has been the case in Ghana whose experience stands for similar situations in other countries. While all efforts are appreciated, it is important for the chair to ensure that the government has sufficient visibility in its role as a leader and partner.

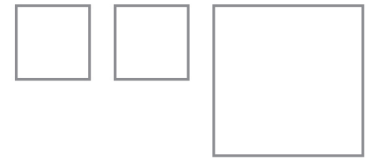
Development cannot be created and sustained by government alone. The GBS chair can use his influence to work towards an enlarged dialogue process at various levels, including the consultation and **participation of domestic stakeholders like parliament or civil society**. Switzerland has been particularly active pursuing such an inclusive approach in Burkina Faso (related to civil society organisations) and in Ghana with the creation of a new parliamentary platform for dialogue on aid and budget support issues.

A linked and harmonised system of permanent **working groups** (or other appropriate forms of specialised dialogues) for sector monitoring and assessments, as well as key cross-cutting issues is needed to ensure the professional expertise required. These working groups should also permit inclusiveness by associating further stakeholders with relevant expertise.

A well informed public in the partner country is an asset for the government as well as the donors. In order to improve information on GBS the Swiss chair launched and supported the idea of a **media package**, which was drafted and presented by the government to promote attention and understanding of GBS in the local press, radio and TV (Tanzania). During the Swiss chairmanship in Ghana, a GBS sub-working group was established to disseminate information on the budget support mechanism, to strengthen the means of making government accountable to parliament and the public, and to produce an information package inspired by the Tanzanian example. A special briefing for civil society organisations was also held and the information package has also proven useful for this occasion.

Having a GBS group reduces direct **policy dialogue between individual agencies** and the government. Delegation to the chair and troika further limits access to the policy debate for non-troika members. Space may be needed for policy discussions among donors beyond the institutional machinery.

Chairing a MDBS group influences **stakeholder relations like a wave**. With the chairmanship of a GBS group, exposure to and intensity of relations with government increase; on the other hand, when the chairmanship ends, there is a dramatic reduction and loss of direct contacts with government which



has to be recognised by headquarters. This inevitable decrease of influence may be more of a problem for large donors.

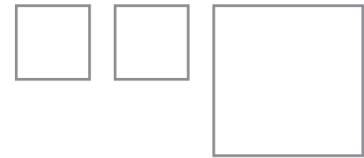
8. Concluding remarks

The adoption of an aid policy by the partner government clarifies the government's basic priorities and working principles and facilitates the orientation for the MDBS group chair. A Joint Assistance Strategy (JAS), emerging from the GBS-Group or from the wider development partners' group, can be an adequate response of the donor community, paving the way to further harmonisation and division of labour.

Strategic progress in harmonisation and alignment will become harder to achieve in future because the "easy wins" are over. The chair should strive for a further reduction of transaction costs, promoting sector support and project support along GBS lines: (1) alignment to the timings of the budget cycle, (2) being on-budget, translating into on-planning, on-parliament, on-treasury, on-procurement, on-accounting, on-audit, on-reporting.

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 proactive way, ideally based on practical sector experience. Substantial, internationally renowned back-stopping is necessary. Minimum participation does not produce added value.

Summing up, Switzerland's MDBS group chairing experience strongly contributed to aid effectiveness and development results. It benefits the overall Swiss supported cooperation portfolio of SECO and SDC. Equally noteworthy, the Swiss GBS chairs strongly strengthened Switzerland's visibility in the partner country as well as towards other donors. Both – development results and Swiss visibility – are highly relevant in the framework of the ongoing debate to increase development cooperation in the years to come.



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The paper was written by Richard Gerster, Gerster Consulting, Switzerland (www.gersterconsulting.ch) and finalised in January 2011