
Mozambique: Holding donors accountable

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“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 coordination among the donors of foreign aid has become increasingly important. One way of making cooperation more effective is budget support. Adhering to shared rules, 19 donors contribute to this modality in Mozambique – including Switzerland, 15 other countries and three international organisations.



Switzerland's ambassador signs the contract for budget support 2004.

Equal footing

In return for contributions to the budget, the government assures concrete reforms, for example 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. 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 can not be disposed of completely.

When it comes to a partnership put on equal footing, Mozambique has come furthest in budget support. Donors and the government have agreed on a donor matrix. 18 weighted indicators (2008) should measure whether aid is distributed on a selective or programmatic basis, whether payments are made in a predictable manner, whether conditions are coordinated, whether aid is handled by the government or channelled past it and whether the government’s capacities to fulfil its core tasks are strengthened. Specific goals are set for each year and an independent report measures the results in the following year. During the annual conference 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 independent report on the donor performance in 2008 notes as a serious issue and concern for the Government of Mozambique midterm aid predictability. Admittedly, most of the donors concluded a multi-year agreement with government. However, when the contract is coming to an end, “predictability on the margin approaches zero because these strategies are not rolling”. The global financial crisis is further “increasing uncertainty about the future beyond 2010”.

Switzerland among the top donors

Switzerland has not only co-signed the Paris Declaration, 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 financed preliminary work as well as a first independent assessment of the transparency, predictability and coordination in the donors’ aid provision.

The donors’ difficulty when it comes to the implementation of their own principles and commitments is disillusioning. In 2008 the donor group received only 24 of 38 achievable points– a mixed balance indeed, as was also openly documented in the public report. In 2007 the performance had been even lower with 15 of 37 possible points. While there is progress in some isolated areas, there is room for improvement when it comes to missions, for instance. One of the goals which the group of 19 donors set itself for 2008 was to send no more than 120 missions to Mozambique and that of these 120 at least 30 percent should be joint missions, meaning shared negotiation

and inspection trips. Finally there were 167 missions and 43 percent thereof joint. In other words: In 2008 one of these missions of the 19 donors almost arrived every other day. If donors do not take seriously their own performance standards, it also undermines the legitimacy with which they demand 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. Which is why, since 2005, there are also individual performance statements. This provides visibility for Switzerland, as the country can regularly be found among the top performers. In 2008 Great Britain was top while Switzerland and Belgium jointly achieved the second rank. In 2007 Switzerland had even shared the first place with Great Britain. This contributes to Switzerland’s credible appearance in the donor group and when negotiating with the government. Finland and Ireland also belong to the “top five”. Portugal, the World Bank, the African Development Bank and Germany are bringing up the rear.



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.

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:

- 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 is based on a new contract with a duration of four years – for the first time. Until now, Sweden only signed one year agreements. But in recent years almost all donors changed to agreements spanning more than one year, because this is the basis for the government’s real financial planning. Switzerland has been signing three year contracts for a long time. 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.



Prime minister Luisa Diogo illustrates the Mozambican government’s position to the donors.

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 governments 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 practice. Because, on the 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 abroad. 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 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 the independent research association IESE. He and his team have authored the respective annual report on several occasions. 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 Burkina Faso.



Food aid and budget support are two extremes: With the latter there is 100 percent freedom of choice for, something which is lacking completely when it comes to vegetable oil from the USA.

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