

Excerpt from

MOZAMBIQUE 149

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News reports & clippings no. 149 from Joseph Hanlon

25 March 2009 (j.hanlon@open.ac.uk)

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19 BUDGET SUPPORT DONORS SIGN NEW 5-YEAR ACCORD

The 19 budget support donors signed a new five-year memorandum of understanding (MoU) with the Mozambican government on 18 March. The 90-page MoU is not significantly different from the previous one signed five years ago, and the various review and planning processes remain immensely time-consuming and complex. But there are several important subtle changes – donors have increased their scope to put pressure on government and to be even more deeply involved in government planning processes, but individual donors have accepted a reduction in space for unilateral action.

The budget support donors, known as the G19 or Programme Aid Partners (PAPs), are the African Development Bank, Austria, Belgium, Canada, Denmark, the European Commission, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the World Bank. The International Monetary Fund is a non-signatory but ex-officio member. The G19 is “the largest group of donors involved in the provision of general budget support in Sub-Saharan Africa,” G19 head and Irish Ambassador Frank Sheridan told the signing ceremony. The G19 will provide \$455 million in direct budget support this year.

The G19 has largely taken over policy dialogue with the government, and two large non budget support donors, the United States and Japan, have been objecting to their marginalisation from the policy process. To try to deal with this, a new category of associate member is created for non-budget support donors; so far, the US is the only associate member.

As in the past, the G19 is governed by what it calls the “troika plus”. Three donors serve for three years, with one new member being elected each year and serving as chair in the second year. The “plus” are the European Commission and World Bank, who deserve permanent seats because, as they are described in the MoU, they are the “two most influential PAP donors”.

The new MoU is not yet posted on the PAP website <http://www.pap.org.mz/> so it is posted on mine: <http://www.tinyurl.com/mozamb>

TIGHTENING THE SCREWS ON CORRUPTION

Two changes in the MoU put new emphasis on corruption, and respond to donor complaints that each year government promises to act on governance but fails to do so.

In the 2004 MoU, in the case of serious misuse of funds or large-scale corruption, the government simply promised to try to recover the money. In the new MoU, in the event of serious misuse of state funds or “large scale corruption by members or structures” of government, donors have the right to individually or collectively withhold funds. This is a major hardening of the donor position on corruption.

In the diplomatic world, a change of a single word can carry substantial weight, and this has happened in the new MoU. Evaluation of government performance is done through a set of targets in a Performance Assessment Framework. Both MoUs stress that what counts is an improving trend in government performance. But in the 2004 MoU, donors said they would “take into account the extent to which performance difficulties are being addressed”. This time, the phrase “performance difficulties” [“dificuldades de desempenho”] is replaced by the much stronger “performance shortcomings” [“falhas do desempenho”]. In other words, excuses about “difficulties” will no longer be accepted by the donors, particularly in areas such as justice and governance.

DONORS DEEPER IN GOVERNMENT POLICY SETTING

Budget support was supposed to give recipient governments more power over how aid money is spent, but one of the most controversial aspects of budget support throughout Africa is that the opposite has happened. Donors have demanded to be deeply inside the policy formulation process.

The 2004 MoU already required that donors have access to planning documents, reports, and other information, and that government must meet donors before submitted the budget to parliament (making a joke of parliamentary approval -- how could parliament reject a budget after it has been approved by donors). But the new MoU also requires the government to show early drafts of the budget to the donors.

In his statement, G19 head Frank Sheridan stressed that “budgetary policy” is the donor priority. Sheridan said that “financial support to the national budget is the financial equivalent of adding water to a reservoir, where it is impossible to indentify individual contributions and what becomes important is how the total funds are used.” In other words, whereas project support means only watching how small amounts of money are spent, budget support means detailed donor control over all government spending.

LESS POWER TO GO IT ALONE

Although to G19 have reserved the power to cut off funding, individually or collectively, in the event of major corruption or where the “underlying principles” of the agreement are violated. they have made an important concession to stop donors acting unilaterally. The new agreement forces donors to work through the G19, even when there is disagreement within the group, before taking any unilateral action.

Sheridan also noted that donors had made a number of commitments to government, about trying to give more predictable commitments of funds and about relying on government institutions to administer funds.

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