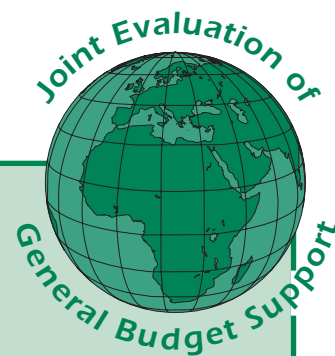


# Partnership General Budget Support: Mozambique Brief



**The Joint Evaluation of General Budget Support 1994–2004** was commissioned by a group of 24 aid agencies and 7 partner governments to assess to what extent and under what circumstances GBS is relevant, efficient and effective for achieving sustainable impacts on poverty reduction and growth.

This independent study was led by the International Development Department of the University of Birmingham. Its outputs are a Synthesis Report, and seven country case studies, for Burkina Faso, Malawi, Mozambique, Nicaragua, Rwanda, Uganda, and Vietnam.

## Origins and organisation of PGBS in Mozambique

Large aid flows helped Mozambique's recovery after civil war. Government institutions (including public finance management) were seen as very weak, and aid tended to bypass the government's budget system.

In the late 1990s, some longstanding bilateral donors saw a need for innovative and more coordinated support. Mozambique prepared a poverty reduction strategy linked to debt relief under the Heavily Indebted Poor Countries (HIPC) initiative. Known by its Portuguese acronym, the PARPA became the focus for alignment of aid.

A donor–government common framework agreement for budget support was signed in 2000 and a new Memorandum of Understanding (MOU) was signed in 2004. The new MOU addressed difficulties in the original agreement, about unpredictable disbursement and conflicting interpretations of conditions. The agreements required the government to prioritise poverty reduction according to the PARPA. While PGBS was their main focus, the agreements also embraced other forms of programme aid, specifically sector support. The PGBS forums and the associated performance assessment framework have become the centrepiece of aid coordination.

By 2005, an original group of 6 donors had expanded to 17 ("the G17").

## How much PGBS did Mozambique receive?

PGBS grew from USD 30m (3% of official aid) in 2000, to USD 239m (19% of official aid) by 2004 (see Table 1).

Most donors have substituted PGBS for other forms of aid. In aggregate, PGBS has not expanded the total volume of aid, but it has substantially increased the resources that are on-budget.

## What were the benefits?

- A highly coordinated and coherent structure for government–donor collaboration has been developed. This is inclusive of different aid modalities and provides a basis for government–donor agreement about priorities.
- PGBS has strengthened harmonisation among donors, and their alignment with the national strategy and with government's planning and budgeting calendar.
- PGBS has increased the proportion of public spending subject to the national budget process (PGBS is the only aid that is fully 'on-budget'). This in turn has strengthened reporting lines between core government and line ministries, and reduced direct line ministry–donor relationships. This has increased the quality and the government ownership of the budget process.
- PGBS has reduced the cost of budget finance, and has reinforced pressures to maintain fiscal discipline and macroeconomic stability.
- PGBS has helped to increase the efficiency of public expenditure. For example, it has increased the recurrent expenditure available through the state budget, allowing better provision for the operating costs of investments. It also made it easier for government to make its contributions to aid-funded projects.
- Increasing allocations of budget funds to 'priority sectors' reflect the broader reform agenda and expanding resources, but PGBS has supported the government's commitment to these priorities.
- PGBS has added open and collective pressure to meet sector targets and carry out promised reforms.
- PGBS has given a practical impetus to cross-cutting issues (especially in addressing HIV/AIDS as a cross-sectoral issue).
- PGBS had a modest effect in extending access to basic services in all the PRSP priority areas and also made a small contribution to the

## What is Partnership General Budget Support?

General Budget Support (GBS) is aid funding to government that is not earmarked to specific projects or expenditure items. It is disbursed through the government's own financial management system. Although the funds are not earmarked, they are part of a package which includes dialogue and conditions, technical assistance and capacity building, and donor efforts to harmonise their aid and align it with government strategies and procedures.

Partnership GBS emerged in the late 1990s to support national poverty reduction strategies. By channelling funds through national systems, it also aims to strengthen national planning and implementation capacity, increasing the effectiveness of all public expenditure, including aid.

**Table 1: Partnership General Budget Support and Total Aid in Mozambique**

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Total ODA (actual) (USDm)	1,255	1,275	957	959	1,107	1,647	1,096	993	2,330	1,092	1,289
Total Partnership GBS disbursements (USDm)							30	88	101	154	239
PGBS as % total ODA (%)							3%	9%	4%	14%	19%
ODA as % GNI (%)	61%	50%	33%	30%	28%	21%	25%	30%	65%	25%	24%

reduction of income poverty through its effect on macroeconomic stability and government spending. (Effects were judged modest on the assumption that the same amount of aid would otherwise have been provided in a different form.)

- Although domestic accountability remains weak, it is being strengthened through PGBS, and PGBS has shown that it is possible for donor and national accountability systems to reinforce each other.

### What were the drawbacks and limitations?

- Deficiencies in budget classifications and the scale of 'off-budget' aid mean that it is not always clear how funds are spent. However, reforms are improving investment budget execution, and reducing uncertainty about the real use of budgeted funds.
- Fiduciary risk remains high, but government is committed to reform. Greater focus on public expenditures has put corruption under the spotlight, and PGBS donors have pressed the anti-corruption agenda.
- Unpredictability of disbursement was an early problem, but PGBS funds are becoming more predictable since donors agreed to make multi-annual commitments.
- Transaction costs initially increased for government under PGBS, due to new dialogue requirements, new conditionalities, and unpredictable flows of funds. These costs may now be decreasing as government has adjusted and donors increasingly work through government systems.
- The coherence and coordination of technical assistance and capacity building linked to PGBS was limited.
- Reflecting the priorities of the first PARPA, PGBS has put little focus on improving the business environment and promoting economic growth. This is receiving more attention during the revision of the PARPA.

### What was the evaluation's overall assessment?

This has been a very successful case of donor–government collaboration. PGBS has contributed positively to conditions for economic growth and poverty reduction in Mozambique. An important factor in explaining the success of PGBS, and other forms of aid, is the long-established relationship of trust between government and some core donors.

The clearest and most direct effects of PGBS were seen in:

- Harmonisation between a large number of partners and their increasing alignment on national systems.
- PGBS's increasing contribution to the proportion of public expenditure that goes through a growing state budget.
- Strengthening planning and budgeting systems, policy processes, and macro-economic performance.

The main weaknesses in performance against the criteria adopted by the evaluation concerned: technical assistance and capacity building; predictability of funding (though this has improved since 2002); domestic accountability; and promotion of policies related to private sector development, and to the administration of justice and respect for human rights. Strong processes of shared learning

### How did Mozambique compare with other countries studied?

The role of PGBS as a focus for coordination among a large group of donors is echoed in Burkina Faso and Uganda. However, planning and budget systems were weaker in Mozambique at the outset of PGBS. As with Rwanda, donors providing budget support did so on the basis of confidence that systems were improving, although it was clear that they were not yet strong.

between government and donors, with flexible mechanisms for adjusting to experience and maximising complementarities between different forms of aid, suggest a robust and sustainable partnership.

### Main Recommendations

#### Aid Strategy

- Continue to bring more aid on budget, and develop a more explicit strategy to use different aid modalities according to their best fit.

#### Donor performance

- Continue to improve long and short term predictability of disbursements.
- Develop graduated responses to government performance.
- Strengthen donor capacity to support policy analysis, planning and budgeting.
- Minimise demands on senior officials' time.
- Give government more space to develop its own growth and poverty reduction approach.

#### Government performance

- Strengthen intra-government coordination.
- Develop more coherent approaches to capacity development.
- Give more attention to policies and policy implementation for domestic revenue, the environment, HIV/AIDS and justice.
- Strengthen measures against corruption.

#### Civil society

- Strengthen the engagement of civil society in monitoring performance and holding government to account.

#### Private sector and growth

- Pay more attention to private sector roles and strategies for pro-poor growth.

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The full report (and a longer summary) can be obtained from the OECD DAC website at: [www.oecd.org/dac/evaluation](http://www.oecd.org/dac/evaluation) or from the DFID website at [www.dfid.gov.uk/aboutdfid/performance/evaluation-news.asp](http://www.dfid.gov.uk/aboutdfid/performance/evaluation-news.asp)