



Linking budget analysis with aid advocacy: how civil society groups can monitor donor budget support

Lucy Hayes (EURODAD) and Albert Van Zyl (IBP)
February 2008

Citizens have for many years demanded the right to scrutinise public budgets and play a part in how public money is allocated. In developing countries that are aid dependent there is an extra dimension to this budget work – decisions made by international financial institutions and bilateral donors. These decisions are crucial for government spending, and this briefing sets out some current aid planning issues which are relevant for civil society organisations that monitor government budgets in aid dependent countries.¹ A recent Afrodad study found that: “Mozambique still suffers from distortions in domestic accountability due to heavy reliance on external assistance, the fragmentation of instruments used by donors, and the extent of donor involvement in central policy processes, including the poverty reduction strategy and the budget”.²

Foreign aid makes up a significant percentage of government income for low-income countries, in some cases half of the budget. Aid is likely to rise as a proportion of the budget if richer countries fulfil their commitments to increase their foreign assistance towards reaching the Millennium Development Goals (MDGs). At the same time as the expected rise in aid volumes governments have pledged a series of important changes in how aid is delivered, notably a trend towards donors providing money as direct budget support. This briefing describes how budget tracking organisations can understand these trends and build aid decision-making into their strategies.

Aid money has traditionally been spent primarily through projects with specific procedures, and much still is. Recipient governments spend large amounts of time and resources reporting demands to donor agencies. Of the 35,000 aid transactions that take place every year over 80% are worth less than US\$1million. The government of Mozambique has approximately 1,000 bank accounts for donors’ administrative requirements and Tanzania’s Ministry of International Cooperation prepares 2,400 donor reports every quarter and hosts 1,000 meetings a year with donors.

In recent years several donor governments and multilateral organizations have begun to channel more aid money not as projects but as either sector support or general budget support. Providing money that governments can allocate through their national budget cycles is intended to build more efficient and accountable governance in recipient countries. This practice is commonly known as “budget support”. So far only 5% of total aid is spent through budget support, but in some countries as much as 20% of aid money is provided in this way.

The major advantages of budget support are that it creates the conditions for governments to plan for the medium-term, to reduce the transaction costs of dealing with multiple donors and multiple projects, and to strengthen their accountability to their people rather than to outside agencies. Official evaluations of budget support also show that it can contribute to increased pro-poor expenditure such as spending on basic services. In Ghana for example, budget support has helped direct more money to spending on health and education, with access to education improving in particular. There is also evidence that budget support has helped to improve public financial management systems, even in countries like Sierra Leone and East Timor which have weak institutions.³

Budget support is meant to give greater discretion to the recipient country and reduce the amount of donor conditionality and control. Citizens should obtain a clearer idea of medium-term government revenue and be able to more easily make claims on public funds, through advocacy to national decision-makers. But for this potential to be realised, donors need to make their budget support aid more predictable and governments need to allow popular scrutiny. Citizens groups need to build up the necessary analytical and advocacy skills.

Budget support carries risks. Corruption and human rights scandals have made many donor governments more cautious about budget support. Most do not give budget support to countries where there is very poor transparency and accountability. Where budget support is provided donors often accompany it with programmes or initiatives to improve governance in that country. To meet their concerns that money may go astray they invest considerable efforts into making financial systems more transparent.

Another risk is that the budget may be insufficiently funded if donors fail to provide their aid as predicted. A recent report by Save the Children UK found that budget support may in some cases be less likely than project funding to arrive on time and in full.⁴ One reason is that if a country does not fulfil conditions within an International Monetary Fund programme, donors normally make a collective decision not to release their money. Withholding funds can have disastrous impacts on poor people, particularly if recurrent expenditure on teachers, health workers or medicines is partially reliant on external aid. The government of Mozambique perceives negotiating with a united block of donors to be a major risk of budget support. In a recent negotiation forced donors to cut a paragraph in the Memorandum of Understanding between the donors and the government which said that in the case of disagreement donors would first discuss amongst themselves and only approach the government with an agreed position.⁵

Budget support is not a magic bullet. Channeling money directly through national budgets assumes that there are domestic accountability structures – such as parliamentary oversight and audit procedures – to ensure that money gets spent well. In the rest of this brief we consider what donors and civil society can do to make the budget support approach help reduce poverty and enhance accountability.

What donors could do to help realise that potential

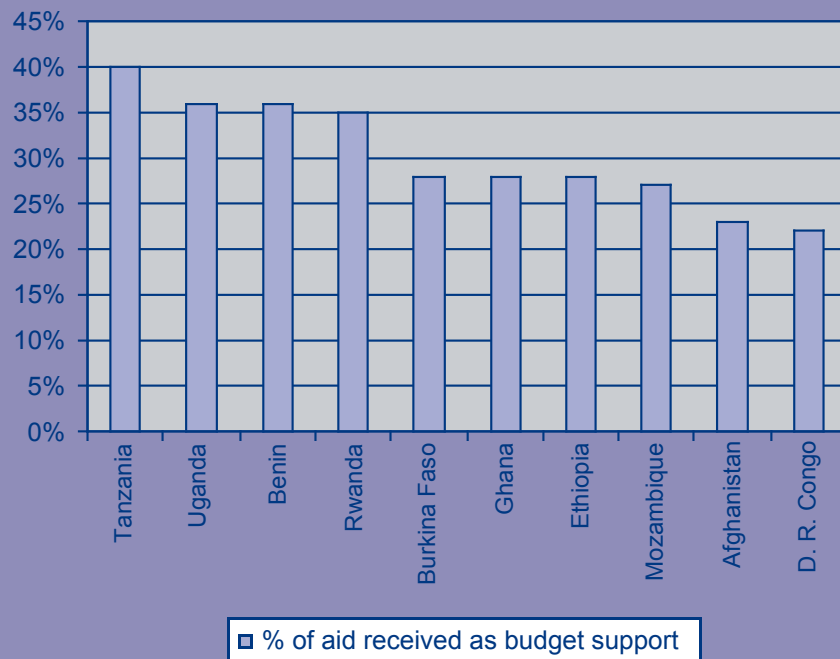
Donors should move to providing ever more of their aid as budget support, but should ensure that their aid is predictable and that they take other steps to enable rather than frustrate the possibility for citizens' groups to hold their governments to account. Budget support is not an appropriate aid modality for all impoverished countries. Where the basic political will and machinery of government are insufficient, providing budget support may give opportunities for spending that is less accountable and damages citizens' interests. Where they consider that governments are appropriate to receive budget support, donors should ensure they do not frustrate the objective of devolving policy and spending decisions to national institutions. They must stop linking budget support disbursements to policy conditions and performance targets.⁶ A recent evaluation of budget support in Ghana found that many donors currently see budget support as a tool for leveraging high-level policy change. The conditionality attached to budget support has led to a "superficial" and "confrontational" dialogue between donors and government, leading the evaluators to propose that conditionality should cease.⁷

Donors should also make spending commitments for longer periods than the one or three year frameworks which they frequently use. The European Commission, for example, proposes to implement six-year "MDG contracts" with developing countries, to enable recipient governments to plan and invest over a longer time-frame. Provided that donors improve on disbursing money and do not "turn off the tap" unexpectedly this should help ensure that the amount of money expected by the recipient government arrives on time. Unpredictable aid flows cause serious cash-flow difficulties and frustrate the long-term development approach needed to have a chance of reaching the MDGs.

Box1: How much money gets spent through budget support?

Although budget support is widely discussed, it still accounts for a relatively small amount of total aid money. Donor reporting on budget support is inadequate and reported figures are often not comparable. 5% of total ODA is reported as going via budget support, but a recent survey of 34 developing countries reported that 20% of aid disbursed to these countries came as budget support.^{8,9} The proportion varies enormously across countries - one third of aid to Uganda in 2004 arrived as budget support but only 4% to Nicaragua. Budget support is increasing in many countries, but the trend is not uniform. A new Ghana evaluation shows that budget support to the country decreased from 39% of aid in 2003 to 27% in 2005.

Top ten budget support recipient countries



Source: Paris Declaration Monitoring Survey, OECD (2007).

The European Commission aims to give 30% of its money as budget support. The World Bank gives approximately 30% of its loans as budget support - what it calls "Development Policy Lending". Bilateral donors who give significant amounts of money through budget support include the United Kingdom, Ireland, the Netherlands, Sweden and Canada.

Donors should also focus on the factors that improve domestic accountability. Beyond analysing the political context and the legal and institutional framework, there is a lot that donors could do to support civil society holding government to account for public finances. Budget support is supposed to increase accountability of the state to its citizens. Yet this is not automatic: greater accountability will only come about when donors think through the political factors that impact on accountability relationships. Donors need to find ways to support a diverse and dynamic civil society which is crucial to improve domestic accountability. Part of this support can come through financing, but donor support to legislatures and civil society is only a tiny fraction of aid spending.¹⁰ Donors can support civil society demands for greater voice and participation in decision-making, and can provide core funding for the institutional development of civil society groups, whilst avoiding instrumentalising them as simply watchdogs of donor funds.

It is a common concern of budget monitoring CSOs that donors have better and earlier access than they do to budget information. It is not unusual for donors to have access to in year expenditure reports that are never made public. Some 12 of the 59 countries surveyed in the 2005 Open Budget Index provided no information on the implementation of the budget during the financial year (see table).¹¹ A further 32 only provide partial information on execution. The figures that are released are very highly aggregated with some quarterly reports only containing information on overall levels of government revenue and expenditure.

Table 1 In-year Reports on Execution				
Quantity of Publicly Available Information by Country				
Top Performers: Provides Much Information to Citizens	Bulgaria	Romania	Peru	New Zealand
	Sri Lanka	Brazil	Sweden	South Africa
	USA	France	Mexico	Poland
	Slovenia	Mongolia	Turkey	
Provides Partial Information to Citizens	Albania	Ecuador	Kazakhstan	Pakistan
	Argentina	Egypt	Kenya	Papua New Guinea
	Bangladesh	El Salvador	Malawi	Philippines
	Botswana	Georgia	Morocco	Russia
	Burkina Faso	Guatemala	Namibia	South Korea
	Colombia	Honduras	Nepal	Tanzania
	Croatia	India	Nicaragua	United Kingdom
No In-Year Reports Made Available to Public	Czech Republic	Jordan	Norway	Zambia
	Algeria	Bolivia	Costa Rica	Nigeria
	Angola	Cameroon	Ghana	Uganda
	Azerbaijan	Chad	Indonesia	Vietnam

The country's percentage score for In-Year Reports on Execution was obtained by averaging the responses to Questions 84-92 of the Open Budget Questionnaire. The countries that scored 90-100% were placed in the category Top Performer, those with scores 89% and below, but more than 0% were placed in performance category Provides Partial Information, those with scores 0% were placed in No In-Year Reports Made Available to Public.

Donors also participate in the budget process much earlier than civil society does. Apart from donor participation in the formulation of the macro-economic and fiscal framework (which is almost universally closed to civil society), donors also have a much earlier say in the formulation of sectoral priorities. Aid watchers should therefore lobby their government and donors to insist that more of the available budget information is made public in a clear format and in good time. This transparency should certainly extend to donors, who should publish their spending plans and also whether their committed aid arrives on time and in full. This is a minimal step to implement the concept of mutual accountability between aid providers and recipients, as highlighted in the Paris Declaration.

The recent joint donor evaluation of budget support cautioned that "donors need to be careful that their accountability demands do not overshadow those of national institutions and "need to be sensitive about becoming too intrusive". Donors are in a very privileged position - with significant influence and power – and they need to ensure they do not displace parliaments and civil society voices¹². With budget support donors have become more involved in everyday politics and policymaking which can, perversely, make governments respond more to the wishes of donors than to the needs of the people.

Box 2 : Selected aid effectiveness targets for 2010

Groups should be aware of the pledges agreed by almost all aid-providing and aid-recipient governments at a Paris ministerial conference in March 2005. Quoting these aid pledges and targets may help persuade development agencies and recipient governments to change their practices. The Paris Declaration enshrines the broad principles of ownership, alignment, harmonisation and managing for results. The key Paris indicators and targets for the year 2010 that citizens' budget monitoring groups can usefully cite are the following:

INDICATOR	2010 TARGET
Recipient governments have operational development strategies with clear national strategic priorities.	At least 75% of recipient countries have operational development strategies (measured by World Bank criteria)
Recipients have reliable country systems for administering the aid flows.	Half of countries move up one measure on the World Bank's scale for public management systems, and one third move up one measure on the WB's procurement scale.
Aid flows are aligned on national priorities.	Halve the proportion of aid flows to government sectors not reported on recipients government's budget(s) (with at least 85% reported on budget).
Aid is more predictable.	Halve the proportion of aid that is not disbursed within the fiscal year for which it was scheduled.
Donors to use common arrangements or procedures.	Two thirds of aid flows are provided through programme-based approaches.
Recipient countries have results-oriented frameworks to assess progress.	Reduce by one third the proportion of countries without transparent and monitorable performance assessment frameworks.

Source: Paris Declaration, 2005¹³.

What CSOs can do to make budget support succeed

Country ownership depends not only on improved public finance management capacity; it also depends on greater accountability for the way in which resources are allocated and used. Greater accountability will only come about if the quality and quantity of participation in the budget process is increased. After considering what donors can do to facilitate this process, we now turn our attention to the role that CSOs themselves can play in bringing this about.

Under the budget support approach donors should attach fewer conditions and leave recipient countries greater discretion to decide what to spend aid on. Such spending will only be more efficient and effective if government is held to account for what it spends and how it spends it. This puts an additional responsibility on civil society and other oversight institutions to monitor and hold government to account. These institutions effectively become responsible for replacing the surveillance that donors will no longer be providing.

In the next few paragraphs we make some suggestions for what CSOs can do in countries that are aid-dependent to make the budget support approach more likely to succeed.¹⁴

Map the key decision-making processes

In order to fulfil this role, civil society organisations need to understand which decisions are made by whom and when in the budget cycle. In aid dependent countries, this process is often more complex than elsewhere because in addition to the normal governmental actors, it also involves the donor community. Groups would therefore need to understand the processes for preparing, deciding and implementing the budget as well as how these

fit with international agency analysis and decision-making. For example, groups should know what frameworks and processes are demanded by international agencies (see Annex 2) and whether these are synchronised and compatible with national planning.

Map sources of revenue

In aid-dependent countries the revenue estimation process is complex. In addition to the routine estimation of the amount of internal revenue that the government can mobilize for the next budget year (e.g. through income tax, corporation tax, sales tax, import and export duties), it also needs to find out what level and type of external resources the government is likely to obtain. The external revenues will include budget support grants and loans from donors and international financial institutions such as the World Bank and IMF. In heavily aid-dependent countries, this process of mapping will need to start with donors. As well as understanding the likely amounts of revenue, the conditions and provisions of the income should be mapped.

Box 3: What have budget groups achieved?

Countries like India, South Africa and Brazil have strong traditions of civil society monitoring of the government budget process dating from the 1970s. The movement has grown strongly over the last ten years and has expanded to over 60 countries in Africa, Latin America, Central and Eastern Europe, South East Asia and a number of other regions. Groups involved share a commitment to social justice, poverty reduction, budget transparency and popular participation in the government budget process. Budget groups have:

1. created an audience for discussions about the use of public resources and built the analytical and advocacy skills of this audience.
2. improved the budget process and quantity and quality of budget information that is released to the public, for example in Croatia and South Africa.
3. influenced allocation decisions in government budgets, for example in Mexico.
4. tracked the quality of local level implementation, ensuring public resources are used properly.

Understand your rights to information

Mapping decision-making process and revenue sources depends very heavily on access to information about these activities. Groups should start by finding out what budget information is publicly available. Such information may be available from government ministries, the legislature, donors and audit institutions. If freedom of information legislation or codes exist you can consider using them to challenge secrecy by governments or donors.

Map decision points on budget allocations and implementation

As well as mapping the amount of revenues the government is likely to receive from different sources citizens groups should seek to understand when decisions on budget allocations and related policy changes are likely to be made. This mapping should include donor analytical exercises, sector working groups and similar bodies which include donors, and any conditions that donors are placing on their loans or grants. These conditions may be prior actions that governments need to undertake before receiving money or that they should implement in order to receive a later tranche.

It should examine opportunities for influence during the setting of budget priorities and also during implementation, including assessment of outputs and results against national development priorities or donor performance frameworks. Judgements about government performance on their stated priorities are important because if they are considered “off track” by donors on agreed performance benchmarks then pledged aid money may be cut back or cut off.

Consider alliances and opportunities

In the task of holding government to account for public spending in the context of budget support there are many possible allies. Considering the international dimension of decision-making in aid-dependent countries civil society groups need to assess the advantages and disadvantages of collaborating with donors to put pressure on their governments.

Donors normally have high-level access to government decision-makers and it is worthwhile mapping out the formal and informal ways that donor-government exchanges take place. A short guide to relevant donor processes is provided in Annex 2. Suggested questions that citizens' groups may like to ask donors to understand their activities in their countries are in box 4.

While there may be many opportunities to attend consultations with donors, civil society groups need to consider whether these are genuine opportunities to obtain information or achieve influence. They should also consider the possible dangers of being perceived to ally with donors against the government, or of being perceived to act on behalf of donors.

There is a natural alliance with the legislature and audit institutions because these bodies are often also excluded from the decisions that are taken by the executive and donors. They have important political weight and potential access to information that could be of benefit to civil society groups. Audit institutions could also be of particular use to civil society in monitoring budget implementation.

Alliances with other civil society groups working at different levels (local, regional, national, perhaps international) can also be helpful especially to compare the pledges and performance of official bodies operating at different levels. Several groups, such as SEND Foundation in Ghana and Uganda Debt Network have initiated processes to influence and track financial allocations from international to national to local levels and back again, leading to a comprehensive picture of allocation and spending decisions.

Box 4: Suggested questions for donors on their input to budget decisions

These are some suggested questions citizens groups may want to ask of aid agency representatives responsible for aid allocation and management in their country. These questions can be tabled in letters, meetings, or other interactions. They are just a starting point and should be adapted to national situations.

1. How much of your spending in this country goes through the government budget and how much is off budget?
2. How much is to support projects, how much sector-support and how much budget support and what will be the proportions in 3 years and in 5 years?
3. What country-specific assessments or processes do you use to influence your aid allocation decisions and which national processes or official bodies does your agency support or collaborate with?
4. What percentage of your aid arrives in this country in the year for which it was committed?
5. What percentage of your agencies' aid passes through our national budget?
6. What circumstances would trigger a review of your budget support for this country, and how would your review involve citizens groups?
7. What key documents does your agency produce and when will they be publicly available?
8. Which government documents do you have access to and at which point in the budget process?
9. At which points of the budget process do you interact with the government and which decisions are made at each of these points?

Conclusion

All governments aspire to be able to raise revenue and allocate and spend resources without interference from the outside. All citizens have a right to scrutinise and challenge decisions on public finance. In aid-dependent countries, achieving these goals is complicated by the amount of revenue that arrives in the country from outside, and the many arrangements through which development agencies liaise and negotiate with governments. Budget support is intended to help countries move forward to realise these goals by increasing governments' downward accountability to citizens rather than upward accountability to development agencies.

In this brief we have given an indication of some of the things that donors and civil society can do to make the intended outcome of budget support more likely. The biggest risk for budget support is that we get stuck between the donor conditionality approach and the budget support ideal. This would mean that the previous means of monitoring the use of aid are suspended or watered down without domestic accountability mechanisms being allowed to develop.

This briefing is the product of a collaboration between a network which analyses and advocates on development finance and one which supports budget tracking. We hope that this collaboration inspires similar link-ups in many countries worldwide, to fulfill citizens' expectations and aspirations and to hold all governments to account for their responsibilities regarding the Millennium Development Goals and other commitments.

Comments on the brief are welcome and will be posted on our website. Please send your comments to marin@cbpp.org.

Endnotes

¹ "There are still many significant gaps. One of the most obvious ones, very relevant for low-income countries, is the absence of work monitoring international donor assistance; an important omission giving the large share of developing country budgets financed by aid." De Renzio and Krafchik (2007), p. 28.

² Afrodad, 2007, *A Critical Assessment of Aid Management and Donor Harmonisation, The case of Mozambique*, p. 21. Available at:

www.afrodad.org/downloads/publications/Aid%20Mgmt%20Mozambique%20%20Final.pdf.

³ Herrling and Radelet (2006). *Should the MCC Provide Financing Through Recipient Country's Budgets?*, an Issues and Options Paper. Available at:

<http://www.cgdev.org/content/publications/detail/14130>.

⁴ Save the Children (2006).

⁵ Gerster R. (2006).

⁶ Eurodad 2006.

⁷ ODI/ CDD Ghana (2007).

⁸ Monitoring the Paris Declaration, 2007.

⁹ http://www.odi.org.uk/pppg/cape/events/2006_workshop/Agenda.pdf.

¹⁰ For example, support to CSOs by the OECD/DAC donors only adds up to 3% of the official aid Based on OECD database, Table 1, columns 76 and 77.

¹¹ www.openbudgetindex.org.

¹² Gerster R. 2006.

¹³ Paris Declaration on Aid Effectiveness (2005), available at:

www.oecd.org/document/18/0,2340,en_2649_3236398_35401554_1_1_1_1,00.html.

¹⁴ General tips for effective budget work are available in the International Budget Project's Practitioners' Guide, at: www.internationalbudget.org/PractitionersGuide.pdf.

Annex 1

Recommended resources

ActionAid and CARE International (2006). *Where to now? Implications of changing relations between DFID, recipient governments and NGOs in Malawi, Tanzania and Uganda.*

Analysis of how changes in aid modalities, increasing aid volumes and donor harmonisation are beginning to affect CSOs' policy and funding relationships with donor agencies and national governments in poor countries. Available at: www.actionaid.org/assets/pdf/5CWhere%20to%20now%20_briefing%20note_final%20for%20distribution.pdf.

ActionAid (2007), *Confronting the Contradictions. The IMF, wage bill caps and the case for teachers.*

Analysis based on case studies showing that a major factor behind the chronic and severe shortage of teachers is that International Monetary Fund policies which require many poor countries to freeze or curtail teacher recruitment. Available at: www.actionaidusa.org/pdf/AAConf_Contradictions_Final.pdf.

Afrodad 2005-2006, *The Loan Contraction Process in Africa.*

Studies of 5 African countries and the role of the roles of different parts of government, including parliaments, in approving loan contraction and debt management decisions. Available at: www.afrodad.org/index.php?option=com_content&task=view&id=209&Itemid=109

Afrodad (2007), *Aid Management and Donor Harmonisation studies.*

Case studies of eight African countries on current aid practices, and recommendations for improvement for both international donors and national governments. Available at: www.afrodad.org/index.php?option=com_content&task=view&id=58&Itemid=101.

Bank Information Center (2007), *Tools for Activists: An Information and Advocacy Guide to the World Bank Group.*

Introductory guide to how the World Bank works and how civil society groups can understand and influence its processes. www.bicusa.org/en/Page.Toolkits.aspx.

CAFOD, Christian Aid, Trocaire (2006), *Monitoring government policies: A toolkit for civil society organisations in Africa.*

A how-to guide for organisations seeking to understand and influence government policy and practice, containing exercises and tips to help plan and implement advocacy. Available at: <http://trocaire.org/policyandadvocacy/policydocument.php?id=98>.

De Renzio, Paulo, in African Affairs (2007), *Paved With Good Intentions? The Role of Aid in Reaching the Millennium Development Goals.*

Analysis of how aid fits in a strategy to achieve the MDGs. Available at: <http://afraf.oxfordjournals.org/cgi/content/full/106/422/133>.

De Renzio and Krafchik (2007), *Lessons from the Field: The Impact of Civil Society Budget Analysis and Advocacy in Six Countries*, Practitioners Guide available at: www.internationalbudget.org

A summary of 6 case studies of civil society organisations that monitor the government budget, the impact that they have had, and the lessons that can be learnt from their work.

Eurodad (2006), *Money can't buy you love: Partnership prospects for donor budget support*.

Brief analysis of the findings of a major official evaluation of budget support and recommendations for the future. Available at: www.eurodad.org/whatsnew/reports.aspx?id=460.

Eurodad (2007), *Putting donors under surveillance?*

A Eurodad briefing on the aid effectiveness agenda. An introductory briefing on the aid effectiveness agenda, including an overview of the official commitments made in the Paris Declaration. Available at: www.eurodad.org/aid/report.aspx?id=124&item=0984.

Eurodad and member organisations (2005), *Open on Impact: Slow Progress on World Bank and IMF Poverty and Social Impact Analysis*. Available at: www.eurodad.org/whatsnew/reports.aspx?id=1106.

Analysis based on civil society country case studies and official reports explaining the potential of donor-funded in-country policy studies but revealing shortcomings in their operationalisation.

Eurodad and members (2006), *Open NGO letter on budget support aid*.

Advocacy letter setting out recommendations for improved practices in budget support provision by donors. Available at: www.eurodad.org/whatsnew/articles.aspx?id=340

Gerster, R. (2006), *Risks of Global Budget support*.

Short analysis of budget support dangers, in particular resulting from donors taking strong joint positions to the detriment of recipient governments. www.gersterconsulting.ch/docs/Risks_of_GBS.pdf.

Gerster, R. (2007), *Poverty Reduction Budget Support (PRBS) in Zambia Joint Annual Review 2007: Learning Assessment*.

Report commissioned by the government of Zambia. Available at: www.gersterconsulting.ch/docs/LA_Zambia.pdf

ODI/ CDD Ghana, (2007), *Joint Evaluation of Multi-Donor Budget Support to Ghana*.

Short briefing paper assessing the pros and cons of the budget support in Ghana and making recommendations for improvements. Available at: www.odi.org.uk/publications/briefing/BP_july07_budgetsupport.pdf.

OECD (2007), *2006 Survey on Monitoring the Paris Declaration – Overview of Results*.

Available at: http://www.oecd.org/document/20/0,3343,en_2649_15577209_38521876_1_1_1_1.00.html

Oxfam Novib (forthcoming), *Analysis of EU Budget Support*.

PEFA (2005), *Public Financial Management Performance Measurement Framework*.

A framework designed by several official development agencies to assist them to understand and recommend reforms in national systems that affect fiscal discipline, allocation of resources and efficient service delivery. Available at: www.PEFA.org.

Save the Children (2006), *The Role of Donors in Creating Aid Volatility and How to Reduce It*. Analysis of the impacts on aid and budget predictability of budget support and recommendations for improvements. Available at: www.eurodad.org/aid/report.aspx?id=122&item=0916.

Shapiro I. International Budget Project (2001), *A Guide to Budget Work for NGOs*. A guide to how civil society organisations can monitor the government budget. Contains examples from various poor countries. Available at: www.internationalbudget.org/resources/guide/index.htm.

SIDA (2007). *Public Finance Management in Development Co-operation*. A handbook describing donor work on public finance management and how national budget and aid programming processes intersect. It describes current public finance management practices and provides advice for official development agency staff on how to work with country systems while offsetting fiduciary risks. Available at: www.sida.se/sida/jsp/sida.jsp?d=118&a=31549&language=en_US&searchWords=public%20finance%20management.

Uganda Debt Network (2007), *Policy Review Newsletter*. Analysis of the 2007/2008 national budget and its relationship to Uganda's Poverty Eradication Action Plan. Available at: www.udn.or.ug/June%202007.pdf.

World Bank, German Ministry for Economic Cooperation, GTZ (2007), *Minding the Gaps*. Integrating Poverty Reduction Strategies and Budgets for Domestic Accountability. Available at: <http://go.worldbank.org/O0AD1SDZX0>.

Annex 2

Selected aid-related processes relevant for budget tracking

See the on-line version of this briefing at www.eurodad.org/whatsnew/reports.aspx for links to websites where you can obtain further information on the processes.

Process name (acronym)	Purpose
Medium-Term Expenditure Framework (MTEF)	Three year budgeting plan based on policy decisions
Public Financial Management Assessments (PFM)	Donors are particularly concerned about good public financial management given the fiduciary risks of budget support.
Country Financial accountability assessment (CFAA)	A World Bank exercise aiming to evaluate the overall quality of a country's public financial management system, covering budgeting, accounting, reporting and auditing, and external scrutiny of public finances.
Public expenditure review (PER)	A World Bank exercise aiming to examine government resource allocations and assess their equity, efficiency, and effectiveness in the context of the macroeconomic framework and sector priorities. It also identifies reforms needed in budget processes and administration.
Poverty Reduction Strategy (PRS)	A national development plan. Donors will generally only provide budget support when a poverty reduction/ national development strategy is in place
Country Assistance Strategies (CAS) or Joint Assistance Strategies (JAS)	Documents which lay out the amount of money that an international agency will provide to a country, and the related priorities and conditions. In line with the aim of harmonising donor operations several development agencies are now introducing Joint Assistance Strategies, rather than multiple separate ones.
Joint Performance Assessment Frameworks (PAF)	A joint monitoring framework against which donors make budget support disbursements if the criteria/ conditions are deemed to have been met
IMF PRGF/ PSI review missions and reports	Most donors do not provide budget support unless there is an IMF programme in place, either an approved Poverty Reduction and Growth Facility loan or Policy Support Instrument arrangement where the IMF assesses the country's policies but does not provide a loan.
Consultative Group	Consultative groups generally take place annually in each aid-recipient country. They are the platform for the government and donors to discuss and agree financing needs for the coming year.