

## **Indicator Six: Aid on budget**

**Aid is on budget, which is subject to parliamentary scrutiny.**

### **Draft Assessment and Proposals**

#### **1. Introduction**

Track Three of the MAG's work plan is to provide advice on the continued relevance and usefulness of the GPEDC monitoring framework to the GPEDC Co-Chairs and Steering Committee. The MAG initiated this review process at its February 2016 meeting.

In doing so, three working groups examined the ten indicators in three clusters – ownership and results, inclusiveness, and transparency and accountability. At its February meeting, MAG members contributed perspectives on the continued relevance of the indicator (in light of the SDGs and Agenda 2030), the effectiveness and efficiency of the methodology at a practical level in gathering data, and the usefulness of the indicator for GPEDC stakeholders. The draft assessment and proposals for each indicator is the result of this work. The MAG is also examining issues affecting the structure of the monitoring framework as a whole.

These documents are posted on the [MAG's Teamworks web site](#) for review and comments. Our advice will be finalized at the MAG's next meeting, June 4-6, in Paris.

Comments and suggestions are very welcome from GPEDC stakeholders. Comments can be provided on the site, or submitted to the MAG Chairperson, Brian Tomlinson ([brian.t.tomlinson@gmail.com](mailto:brian.t.tomlinson@gmail.com)).

#### **2. Overview**

Indicator six tries to capture the extent to which developing country budgets include aid resources expected at the time of their first formulation. Since the formulation of the budget is a central feature of the policy process in all countries, the degree to which financial contributions from providers of development co-operation resources to the government sector are fully and accurately reflected in the budget is crucial. Aid on budget provides a significant indication of the degree to which there is a serious effort to connect development co-operation programmes with country policies and process and to support domestic oversight and accountability for the use of development co-operation funding and results.

This indicator examines the percentage of development co-operation funding scheduled for disbursement that is recorded in the annual budget approved by the legislature of developing countries.

**Relevance** In terms of ownership and transparency, indicator six is a relevant indicator. It is derived directly from the Busan commitment to “...strengthen the role of parliaments in the oversight of development processes”; and also Accra commitment to “facilitate parliamentary oversight by implementing greater transparency in public financial management, including public disclosure of revenues, budgets, expenditures...”

The indicator also demonstrates the degree of commitment to development co-operation for more than one stakeholder, the government. Parliaments also commit (and own) development co-operation if those resources are in the country’s budget. It also true that if aid is clearly shown in open budgets, not only parliaments provide oversight for these resources, but civil society can do so as well. It is easier to evaluate these resources if they are in the national budget.

The involvement of parliament is highly desirable, especially in those recipient countries (heavily dependent on aid) because through this means parliament can know about all existing (significant) flows (both national or international) that can contribute to development.

**Efficiency** This indicator is informed directly by data from internal country administration sources. While this approach may not make it comparable between countries, perhaps is more important to monitor progress for each country separately. Access to the right information may be an issue. However, unlike indicators 1 (country ownership and results) and 9b (use of country financial management systems), this indicator includes over-sight by parliaments and perhaps civil society. Given this context, government may provide better information and more accountability, than may be the case for indicators 1 and 9b.

**Usefulness** If this indicator is measured properly, it can be useful for various development stakeholders: government, parliament, civil society, and the private sector and accessible to evaluation by these actors. The fact that aid is part of an open budget process makes aid more transparent. It also demonstrates elements of ownership from government and parliaments. As a result, it would be important to assess, with information directly from the budget, the way aid complements (or not) internal resources to address development goals within the country.

### **3. Key Issues and Challenges**

- a) **Not all development cooperation flows can be captured in a budget** While it is important to capture aid as additional resources in the national budget, not every flow can be considered as if it was just additional funding. Especially for middle-income countries, sometimes the major value of development co-operation received is based on the

knowledge and techniques shared. For some countries the problem can be complex, since resources in the budget cannot be tagged for specific purposes. In fact, there are cases where only some elements of aid are registered in the budget. For most cases, technical support is not included in the budget.

- b) The methodology could miss important resources on-budget for some countries** Some low-income countries prepare their first budget with apparent deficits in a number of areas, as a means to seek aid resources to fill these deficits. To the degree that aid resources cover these deficits, this aid is also on budget, but is not captured. This is a budgeting approach consistent with encouraging aid targeted to country priorities, but the current measure would give a distorted impression as it relies on the budget initially approved by the legislature.
- c) The need to improve capacities of parliamentarians** Even in middle-income countries, education and capacity development for parliamentarians to fully understand development co-operation issues is essential for effective oversight.
- d) Access to data for this indicator** Countries may not have the discipline or felt-need to record this type of information in a systematic way. Paradoxically, the main problem might be for middle-income countries, where aid received is not as important as it is for low-income countries. This problem is especially important since the monitoring exercise is voluntarily. If this is the case, then this indicator may not accurately capture the actual use of financial systems by providers for many countries.

#### 4. Steps Forward

- a) Take account of measures to improve budget transparency** The overall relevance of this indicator for stakeholder accountability could be improved with an additional explicit question on budget transparency and participation. An existing source is the International Budget Partnership's Open Budget Survey and Index (<http://www.internationalbudget.org/opening-budgets/open-budget-initiative/open-budget-survey/publications-2/rankings-key-findings/rankings/>). This initiative is an assessment of budget transparency, participation, and formal oversight in more than 100 countries.
- b) Ensure developing countries capture all forms of development cooperation** Due to the fact that not all development co-operation resources go into budgets, it will be important that recipient countries should have a transparent mechanism, such as an aid management system, to capture all types of external concessional resource flows, even if this mechanism is not the budget. A complementary suggestion is provider countries put aid in open data formats (such as IATI) and provide the technical ways to bring this data into an aid management system. This step will make aid more transparent for all stakeholders.

- c) **Measure degree to which parliaments are able to have oversight on development interventions** To be sure, what is of value to parliamentarians is not just funds recorded as inputs in a budget document, but also that these funds result in the desired outcomes and impacts. To be able to do so, the institutional framework for governance should allow scrutiny of not only revenues mobilized both internally and externally, but also should allow externally funded programmes to be scrutinised following budget execution, perhaps through a parliamentary committee review to follow up on performing and non performing interventions.