For the aid system as a whole, 2005 is a year of great opportunity, but one of great challenges as well. Many are arguing for a significant increase in aid flows to poor countries in the effort to reach the MDGs. New aid partnerships are being negotiated, based on more effective aid modalities and with an increasing focus on mutual accountability mechanisms.

As increasing resources are channelled to poor countries, and increasingly through modalities that rely on, or at least are compatible with country systems and procedures, budget processes become much more important as the main avenue to allocate and spend aid resources, but also to deliver on development outcomes. Public Financial Management systems have therefore been an increasing focus of donor attention, as their strength and adequacy is assessed for fiduciary purposes before aid can be channelled via sector and general budget support programmes. Recent years have also seen an increasing number of PFM reform projects being designed and implemented. The difficulties that have been encountered in their implementation point to the need to better understand some of the underlying forces (social, economic but most of all political) which influence the budget process and drive reform efforts.

Different actors and interests play different roles in shaping budget policies and priorities. In aid-dependent countries, accountability mechanisms are shaped both by external factors, such as the influence of donors on budget choices, and by domestic factors, for example through parliamentary committees and civil society organisations. Formal processes and procedures often are in contradiction with informal forces, and institutional incentives defined by existing rules and regulations may not be mirrored by individual ones driven by personal interest and other factors.

For donor agencies in particular, but for recipient governments as well, a more frank debate about recent efforts to address the weaknesses of PFM systems, and about some of the contradictions that are intrinsic in the accountability frameworks that come with aid dependency, is necessary in order to better understand how to improve the design of programmes designed to support the channelling of increased aid resources to poor countries, and to enhance their effectiveness.

Following on last year’s successful event, the 2005 CAPE workshop, to be held at ODI on 3-4 October, intends to address some of these issues by bringing together donor agencies, recipient governments, academics and practitioners, discussing recent findings and looking into future directions for policy-relevant research. The workshop will also reflect on the outcomes of the UN MDG Summit and of the WB/IMF Annual Meetings.
DAY 1

Morning Session (10:00 – 12:30)

The 2005 agenda and beyond: delivery challenges for the aid system

The 2005 agenda will form the core of this session, with a focus on scaling-up aid flows and the linkages to budgets and accountability relationships (mostly between donors and recipients).

- Where are we with the 2005 agenda? Are substantial increases in aid flows likely to materialise? If so, what would be the implications?
- Is there a real momentum towards relying more on country systems? Are the DAC indicators on harmonisation and alignment adequate and sufficient?
- Are effective mechanisms for ensuring mutual accountability being put in place?

Speakers:
1) Andrew Rogerson (ODI)
2) Tim Harford (IFC)
3) Patrick Watt (Action Aid)

Chair: Simon Maxwell

Afternoon Session (14:00 – 16:30)

Country-level issues I: The track-record of budget reforms

The aim of this session is to review the track-record of country-level experiences with donor-supported budget reforms, and the effects that these have had on budget systems and budget outputs.

- What is the evidence on donor-supported PFM reform programmes? Have they delivered on their objectives? If not, why?
- Has the move towards General Budget Support contributed to PFM improvements in poor countries?
- What are the main domestic constraints to PFM reforms? What can donors do to improve their support to PFM reforms?

Speakers:
1) Phyllis Makau (Kenya/CABRI)
2) Bill Dorotinsky (World Bank)
3) Peter Brooke (Bannock)
4) Tim Williamson (ODI)

Chair: Andrew Lawson
DAY 2

Morning Session (10:00 – 12:30)

Country level issues II: Contradictions in donor-recipient relationships

In this session, the discussion will move to some of the contradictions inherent in donor-recipient relations, including distortions in accountability mechanisms and the role of conditionalities.

- What is the impact of conditionalities on accountability relationships?
- How does a possible increase in aid flows affect accountability frameworks?
- How can donors support PFM reforms without interfering extensively?

Speakers:
1) Stefan Koeberle (World Bank)
2) Lise Rakner (Chr. Michelsen Institute, Norway)
3) Graham Harrison (University of Sheffield)
4) Florence Kuteesa (PWC, Uganda)
Chair: David Booth

Afternoon Session (14:00 – 16:30)

Enhancing Domestic Accountability: the role of parliaments, oversight bodies and civil society

This session looks at domestic accountability mechanisms around the budget process, including parliaments and special oversight bodies, such as external audit and anti-corruption agencies. The role of civil society and the media will also be discussed.

- What is the role of domestic accountability mechanisms around the budget process in poor countries?
- How can they be strengthened, including through donor support?
- What can be done to shift budget accountabilities so that governments respond more effectively to domestic agendas?

Speakers:
1) Andrew Lawson (ODI)
2) Rasheed Draman (Parliamentary Centre, Ghana)
3) Predrag Boskovic (Vice-Minister for Foreign Affairs, Serbia and Montenegro)
4) Warren Krafchik (International Budget Project, Washington DC)
Chair: Tony Worthington

Wrap-up session: pulling together lessons, looking forward.

The proceedings of the workshop will be summarised and published in a report to be drafted by CAPE.