Evaluating GBS in Uganda and Tanzania: emerging issues for budget reform

CAPE Workshop
3rd October 2005

Tim Williamson,
Research Associate, CAPE
The Hypothesis: How GBS might affect PFM & public expenditure outcomes?

GBS Funds
- More external funds in the national budget
- Greater proportion subject to the budget process
- Increased predictability of external funding

Other GBS Inputs
- Policy dialogue, capacity building TA more focused on PFM issues & systems
- Donors harmonised & aligned around government systems

Encourage, empower Gov’t to improve PFM
- Importance of a relative of aid instruments towards GBS

▲ fiscal discipline
▲ allocative efficiency
▲ operational efficiency

NB: this is a subset of the potential effects of GBS
Aid Flows to Tanzania and Uganda

% of Aid Disbursements

Programme Aid
Project Support

Aid Flows as a % of Expenditures

Programme Aid
Project Support

Uganda
Tanzania

1998/99
2002/03
1999/00
2002/03
GBS Funds and PFM outcomes

• GBS funds facilitated, but didn’t create fiscal discipline
  – Space to clear arrears; long term funding (but short term volatility)
• An absolute increase and relative shift to GBS can directly improve allocative and operational efficiency
  – ..as the recipient’s budget is likely to be more efficient than other forms of aid (multiple projects etc).
  – In Ug greater shift to GBS relative to budget than Tz, greater ▲ efficiency, but cancelled out by ▲ domestic interest (sterilisation);
• Whilst PFM outcomes may improve as a direct result of GBS funds, improvements in PFM systems are not automatic
  – E.g. weak budget challenge in Tz/accounting function in Ug
• A relative rise in GBS funding increases potential impact of improvements in PFM systems on PFM outcomes
  – Because there is relatively more discretionary funding; which also
  – increases the focus of institutions on the budget, strengthening the position of the Ministry of Finance & Parliament
Reforming PFM systems

- Common and different areas of Success
  - Both improved macro management
  - In Tanzania accounting function, Uganda budget formulation

- Key factors behind progress include:
  - In Uganda: strong leadership in the Uganda Ministry of Finance, supported by the president, pushed through budgetary reforms
  - In Tanzania: Political importance given to PFM resulted in upgrading of accounting function

- The Role of GBS Inputs were secondary in both cases:
  - GBS funds have had the greater impact in Uganda and Tanzania on PFM…
  - …but the role of dialogue, conditionality, TA and capacity building on PFM systems were not insignificant in either case.
# GBS Inputs and PFM Systems

## Policy Dialogue & Conditionality
- There is more focus on government systems & capacity
- PAF/PRSC Matrix brought together policy actions in one place and increased coherence
- Dialogue & conditions can exert managerial pressure to maintain pace of reform (where progress can be made)

But dialogue/conditions not strategic:
- Dialogue can get hijacked by big issues, rather than systems
- GBS dialogue no substitute for strategic reform processes (e.g. PFM strategy)
- High turnover of donor staff undermines quality of dialogue

## TA & Capacity Building
- There is also more focus on government systems & capacity
- Many examples of positive role in building institutional capacity behind policy reforms + flow of funds effects
- Link to dialogue/conditions can improve effectiveness

But improvements not systematic:
- TA/CB often fragmented and poorly coordinated.
- PAF/PRSC Matrices not adequate for coordinating TA/CB for PFM
- In Ug mismatch between focus of CB/TA & flow of funds effects
<table>
<thead>
<tr>
<th>Lessons</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>• GBS funds combined with other inputs can accelerate PFM reform and outcomes</td>
<td>• Make a decisive shift to GBS</td>
</tr>
<tr>
<td>• Scale of change in <em>mix</em> of aid towards GBS effects important</td>
<td>• Understand the political economy of reform better:</td>
</tr>
<tr>
<td>• GBS funds <em>per se</em> don’t cause improvements in PFM systems</td>
<td>– Understand where political support lies</td>
</tr>
<tr>
<td>• PFM reform needs interests to coincide/a coalition to be built:</td>
<td>– Mechanisms for building political support where it does not</td>
</tr>
<tr>
<td>– Tech. Consensus (MoF/LMs/DPs)</td>
<td>• Use this understanding to “pick winners” in the dialogue</td>
</tr>
<tr>
<td>– Political Support (implicit/explicit)</td>
<td>– Support strategic PFM reform</td>
</tr>
<tr>
<td>• Need more coherent &amp; strategic PFM reform programmes</td>
<td>• Identify effects of GBS funds</td>
</tr>
<tr>
<td>– supported by dialogue, TA/CB</td>
<td>– target other GBS inputs there</td>
</tr>
<tr>
<td></td>
<td>• Focus on supporting budget challenge where it is weak</td>
</tr>
<tr>
<td></td>
<td>– Without forgetting other aspects of the budget cycle</td>
</tr>
</tbody>
</table>