



DIRECTORATE-GENERAL FOR EXTERNAL POLICIES
POLICY DEPARTMENT



MONITORING BUDGET SUPPORT IN DEVELOPING COUNTRIES

**A comparative analysis
of national control
mechanisms**

DEVE

DIRECTORATE-GENERAL FOR EXTERNAL POLICIES OF THE UNION

DIRECTORATE B

POLICY DEPARTMENT

STUDY

MONITORING BUDGET SUPPORT IN DEVELOPING COUNTRIES

**"A comparative analysis of national control mechanisms over
budget support in developing countries"**

Abstract

This study aims to assess the effectiveness of developing countries' national control mechanisms in overseeing budget support. The key questions deal with the oversight role and effectiveness of parliaments and supreme audit institutions (SAI) and the extent to which the EC assesses and supports parliamentary structures and SAIs when budget support is provided. The research is based on case studies in three countries: Ghana, Burkina Faso and the Dominican Republic. Overall, parliamentary budgetary oversight is weak in all countries studied and has not significantly improved since the provision of budget support. In addition, within the framework of budget support, parliamentary performance is inadequately assessed, not yet systematically integrated at policy level and receives only limited EC support. Supreme audit institutions, on the other hand, have attracted more donor attention and their performance has improved in all three country cases. To improve public financial management and to strengthen domestic accountability in the long run, institutions outside the executive, including civil society actors, must gain more weight in the design and management of budget support.

This study was requested by the European Parliament's Committee on Development.

AUTHOR(S):

KOCH, Svea, Institute Südwind, GERMANY

Dr. MORAZAN, Pedro, project leader, Institute Südwind, GERMANY

ADMINISTRATOR RESPONSIBLE:

CAPRILE, Anna

Directorate-General for External Policies of the Union

Policy Department

WIB 06 M 075

rue Wiertz 60

B-1047 Brussels

LINGUISTIC VERSIONS

Original: EN

ABOUT THE EDITOR

Manuscript completed on 15 July 2010.

© European Parliament, 2010

Printed in Belgium

The study is available on the Internet at

<http://www.europarl.europa.eu/activities/committees/studies.do?language=EN>

If you are unable to download the information you require, please request a paper copy by e-mail : xp-poldep@europarl.europa.eu

DISCLAIMER

Any opinions expressed in this document are the sole responsibility of the author and do not necessarily represent the official position of the European Parliament.

Reproduction and translation, except for commercial purposes, are authorised, provided the source is acknowledged and provided the publisher is given prior notice and supplied with a copy of the publication.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	VI
1 INTRODUCTION	1
2 METHODOLOGY	2
3 THE ROLE AND EFFECTIVENESS OF PARLIAMENTS IN MONITORING THE USE OF BUDGET SUPPORT FUNDING	5
3.1 The legal framework and political situation	5
3.2 The role of Parliament in the budget cycle	6
3.2.1 Parliaments role in the drafting and legislation stage of the budget (<i>ex ante</i>)	7
3.2.2 Parliaments role in the implementation and audit stage of the budget (<i>ex post</i>)	8
3.3 The effectiveness of parliaments in monitoring budget support	10
3.3.1 Time for scrutiny	10
3.3.2 Capacity and resources	11
4 THE ROLE AND EFFECTIVENESS OF SUPREME AUDIT INSTITUTIONS	13
4.1 Institutional capabilities of audit institutions	13
4.2 Interaction of Parliament and SAI	18
5 ROLE OF CIVIL SOCIETY ACTORS	20
6 EXAMINATION OF NATIONAL CONTROL MECHANISMS BY DONORS	22
7 EXTENT AND EFFECTIVENESS OF BUDGET SUPPORT CONDITIONALITY (OR ACCOMPANYING MEASURES) IN INFLUENCING AND IMPROVING NATIONAL CONTROL MECHANISMS	29
7.1 Extent and effectiveness of budget support conditionality	30
7.2 Accompanying measures	32
7.3 Donor conditionality and domestic accountability	34

8	CONCLUSIONS	35
8.1	The role and effectiveness of parliaments in monitoring budget support	35
8.2	The role and effectiveness of audit institutions	38
8.3	The role of civil society actors	39
8.4	Examination of national control mechanisms by donors	40
8.5	Extent and effectiveness of Budget Support Conditionality (or accompanying measures) in influencing and improving national control mechanisms	41
9	RECOMMENDATIONS	43
9.1	To the European Commission	43
9.2	To the European Parliament	49
9.3	Summary of recommendations	50
10	ANNEXES	53
	ANNEX 1: BIBLIOGRAPHY	53
	ANNEX 2: LIST OF INTERVIEWED PERSONS	55
	ANNEX 3: RESEARCH FRAMEWORK	65
	ANNEX 4: GUIDELINES FOR EFFECTIVE PARLIAMENTARY STRENGTHENING	71
	ANNEX 5: ASSESSMENT OF PARLIAMENTARY OVERSIGHT	72
	ANNEX 6: PRESENTATION HELD AT THE EUROPEAN PARLIAMENT COMMITTEE ON DEVELOPMENT	73

LIST OF ABBREVIATIONS

ACBF	African Capacity Building Foundation
AECID	Agencia Española de Cooperación Internacional para el Desarrollo (Agency for International Development Cooperation)
AFD	Agence Française de Développement (Agency for Development)
AfDB	African Development Bank
AG	Auditor General
ARMP	Autorité de Régulation des Marchés Publiques
CDP	Congrès pour la Démocratie et le Progrès
CGAP	Cadre Général des Appui Budgétaires (General Framework for Budget Support)
CoA (B. Faso)	Court of Auditors
CoA (Dom. Rep.)	Chamber of Accounts
CoD	Chamber of Deputies
CoD	Chamber of Deputies
COMFIB	Finance and Budget Committee
CSO	Civil Society Organisation
CSP	Country Strategy Paper
DANIDA	Danish International Development Agency
DFID	UK Department for International Development
DGA	Directorate General of Audit
DGCF	Direction Générale des Contrôles Financier (Directorate General for Financial Control)
DGMP	Direction Générale des Marchés Publics (Directorate General for Public Contracts)
DIGECOOM	Director-General of Multilateral Cooperation
EITI	Extractive Industries Transparency Initiative
FDI	Foreign Direct Investment
FMIS	Financial Management Information System
FRA	Fiduciary Risk Assessment
GAS	Ghana Audit Service
GBS	General Budget Support
GDP	Gross Domestic Product
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (Technical Cooperation)
HIPC	Heavily Indebted Poor Countries
IAA	Internal Audit Agency
IDB	Inter-American Development Bank
IGF	Inspection Générales des Finances (General inspectorate of finance)
IMF	International Monetary Fund
INTOSAI	International Organisation of Supreme Audit Institutions
JICA	Japan International Cooperation Agency
MDA	Ministries, Departements and Agencies
MDBS	Multi Donor Budget Support
MP	Member of Parliament
NA	National Assembly
ODA	Official Development Assistance
OECD	Organisation for Economic Co-Operation and Development
PAC	Public Accounts Committee
PAF	Performance Assessment Framework

PBA	Programme-Based Approaches
PC	Parliamentary Centre
PDU	Planning and Development Unit
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMISP	Public Financial Management Institutional Support Programme
PFM-PFM	Public Financial Management –Performance Measurement Framework
PRFG	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PSDP	Plan Stratégique de Développement du Parlement (Strategic Plan for the Development of Parliament)
SAI	Supreme Audit Institution
SBS	Sector Budget Support
SEPD	Secretary of Planning and Development
SoF	Secretary of Finance
UEMOA	West African Economic and Monetary Union
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WB	World Bank

EXECUTIVE SUMMARY

This study aims to assess the role and effectiveness of key institutions that are supposed to act as national control mechanisms in budget support receiving countries. The European Parliament has delineated **four research questions** to guide the research:

1. The role and effectiveness of the national parliament, and its organs, in monitoring the use of budget support funding;
2. The role and effectiveness of any other state bodies in monitoring the use of budget support funding (e.g. supreme audit institution);
3. The extent to which decisions by the country's donors to initiate, or continue, budget support programmes are influenced by examination of national control mechanisms;
4. The extent and effectiveness of relevant budget support conditionality, or relevant accompanying measures, in influencing (and improving) national control mechanisms.

Methodologically, the study is based on the examination of **case studies in three countries** in which semi-structured interviews were conducted: **Ghana, Burkina Faso** and the **Dominican Republic**. All three countries are ACP countries, regarded as so-called 'good budget support performers' and provided a good basis for comparison: (i) their national budget control mechanisms suffer from substantial weaknesses, (ii) their political systems and their institutional, social and historical contexts differ greatly and (iii) budget support by international donors takes up different shares of the national budget.

Regarding the first research question: There is only very limited evidence that budgetary oversight by parliament has significantly improved since the introduction of budget support. **Parliamentary monitoring of budget support is weak** and ineffective in all three countries due to institutional, administrative and political constraints. Strong presidential systems and the political dominance of the executive are key constraints in this regard. The effectiveness of parliaments is further undermined by a severe lack of capacity, resources and support structures.

The key question is whether this weak capacity and the political environment will have a detrimental effect on the success of budget support and the creation of domestic accountability, or whether, in the long-run, parliamentary performance can be significantly strengthened through the provision of budget support. **Putting aid on budgets is an important first step towards increasing parliamentary scrutiny of aid. However it does not automatically improve the budget oversight role of parliaments** especially in the absence of a coordinated and harmonised donor approach that systematically supports and includes parliaments, strengthens their institutional capacities and takes account of the wider political, social and historical context.

Another major problem is the **exclusion of parliaments from key budget support processes** and the insufficient visibility and knowledge of budget support. In all three case study countries, parliaments are not yet systematically included in the policy dialogue or in the annual review in which donors and the executive negotiate the framework and conditionality attached to the provision of budget support and discuss the accomplishment of agreed targets. Thus they are not holding the executive accountable for

commitments made within Performance Assessment Frameworks¹ nor can they act as complementary agents for donors in monitoring budget support.

The role and effectiveness of **supreme audit institutions in monitoring budget support funding has improved in the last years**. In addition, donor support to supreme audit institutions has increased significantly in the wake of budget support, leading to a strengthening of the institution. However, major challenges remain: The lack of resources and adequate funding is evident in all three case study countries. In particular follow-up on and implementation of audit recommendations remain major weaknesses and seriously limit the extent to which government is held accountable. In addition, internal audit institutions are not yet effectively tackling corruption and are regarded as too close to the state, diluting their capacity to act as independent control mechanisms. Furthermore, internal audit institutions do not seem to be a high priority for donor support.

Civil society actors have an important role to play to complement national control mechanisms in partner countries where public financial management² is weak. Thus seen, national control mechanisms do not only depend on agents of horizontal accountability (the system of checks and balances in the partner country and the capacity of state institutions to provide oversight and to audit the use of public resources), but also on mechanisms of vertical accountability (mechanisms used by citizens and non-state actors such as civil society, nongovernmental organisations and the media to hold government to account).

The findings of this study clearly indicate that the improvement of national control mechanisms relies on synergy effects deriving from an active involvement of parliament, supreme audit institutions, civil society actors and the general public. In addition, **parliaments and supreme audit institutions do not operate in a vacuum but rely on effective interaction and relationships with complementary actors** such as civil society or media. In a country like Burkina Faso, where democratic structures are severely limited, the growing interest and involvement of civil society organizations and the media in budgetary issues are extremely important in order to create a platform for government accountability. In addition, greater transparency and an increasingly active media in Ghana have strengthened the supreme audit institutions and the Public Accounts Committee. This important role of civil society in budgetary oversight is not yet adequately included in budget support processes and in donor approaches towards the strengthening of public financial management.

Regarding EC procedures and the examination of national control mechanisms, this study found that by looking at public financial management, **the EC focuses mainly on governmental institutions and on technical and administrative aspects**. Therefore, the *EC Guidelines on the Programming, Design & Management of General Budget Support* does not sufficiently take into account national control mechanisms and agents of domestic accountability. Moreover, the definition given for internal control mechanisms is insufficient to the extent that it does not explicitly include parliaments, supreme audit institutions or civil society actors. This rather **one-sided approach towards public financial management has a significant impact on the assessment of national control mechanisms and recurs throughout all aspects of EC budget support**. In addition, the strengthening of Executive capacities while national control mechanisms such as parliament, supreme audit institutions or civil

¹ Performance Assessment Frameworks (PAF) are negotiated between donors and the government and include the conditionality and performance benchmarks and targets against which donors make their commitments and that trigger disbursements.

² According to the UK Department for International Development (DFID): Public Financial Management systems “are the systems and processes of budget formulation, implementation, accounting and reporting, audit and accountability, covering both revenue and expenditure (including procurement)” (see DFID 2008: 4).

society actors remain weak can lead to increased fiduciary risks and lack of the necessary checks and balances to oversee a strong executive.

When budget support is provided, the EC has a clear focus on the improvement of public financial management, with the aforementioned technical interpretation. In all three case study countries, its **assessment and reform has high priority for donors before extending budget support**. This is reflected by the fact that indicators of the conditionality that target the improvement of public financial management take centre stage. Having said this, it is obvious that the Performance Assessment Frameworks fail to systematically integrate criteria targeting the oversight role of parliaments and supreme audit institutions. The Performance Assessment Framework of Burkina Faso is the only one in which follow-up of audit recommendations is included. It calls for the creation of a 'finance and budget discipline chamber' and the commencement of prosecutions in the Court of Auditors.

The assessment of public financial management in conjunction with budget support is done through a Public Expenditure and Financial Accountability (PEFA) assessment. Such an assessment was conducted in all three countries at some stage during the budget support process. However, **in none of the countries studied was a PEFA assessment made prior to the introduction of budget support**. In addition, the fact that parliaments and supreme audit institutions scored badly did not seem to have any influence on the decision to provide or deny budget support. The EC explicitly states that **there is no automatic link between PEFA scoring and budget support eligibility which means that countries with weak public financial management systems are not automatically excluded from receiving budget support**. EC justification of this approach is based on a dynamic interpretation of eligibility criteria and the importance placed on the reform agenda.

In addition, PEFA assessments focus mostly on technical aspects of public financial management. The oversight role of parliaments is only considered in two scores and the role of the supreme audit institution in one score. The assessment falls short of analysing the complex web parliaments are operating in, the institutional capacity, the political and historical situation and the social embeddedness of parliament in the budget process, and cannot be regarded as a sufficient assessment or monitoring of the capacity of these institutions. **Therefore, national control mechanisms, in a more holistic understanding, are not adequately assessed before budget support is agreed on.**

Apart from the conditions attached and the fact that disbursements are made through the use of fixed or variable tranches, in regard to its formalised nature and the systematic assessment and monitoring of **fiduciary risks, EC procedures are less formalised and easy accessible than other donor practices**, for example those of the UK Department for International Development (DFID).

Overall, **budget support conditionality and accompanying measures did have positive effects on public financial management**. However, the **effect on supreme audit institutions is stronger and considerably weaker with regard to parliaments**. The actual impact and effectiveness of budget support conditionality varies significantly depending on the country context. The impact is likely to be higher in aid-dependent countries where budget support makes up a significant portion of the national budget. In the case of Ghana and Burkina Faso, both highly aid dependent, the increase of budget support has been used by donors to significantly increase pressure for reform in the area of public financial management. In the Dominican Republic, which is less dependent on aid, donors have less room to influence budgetary composition. However, within this limited scope, **donor focus on public financial management reform is clear**.

Concluding from the case study countries, **budget support and donor funding of accompanying measures targeted at improving national control mechanisms, especially parliament and civil society actors, are not in reasonable proportions**. In addition, not all budget support receiving

countries include funding for national control mechanisms in their country strategy papers. In view of the very high probability that those mechanisms are weak in all budget support receiving countries, the EC should systematically support the upgrading of national control mechanisms in all budget support receiving countries. In addition, the long term success of budget support depends largely on the effectiveness of the partner countries' own control mechanisms, thus **strengthening these accountability mechanisms should have high priority for donors.**

Moreover, the study shows that **the impact of budget support on domestic accountability is slight and is still the weakest link in public financial management** for two main reasons: (i) donor conditionality and accompanying measures still focus largely on the administrative and technical aspects of public financial management, while strengthening parliament, independent media and civil society only plays a marginal role and (ii) there are no short-term solutions to improving domestic accountability and the shift to budget support will not automatically reinforce domestic accountability without real political and democratic change which allows agents and institutions to assume new roles and without a clear donor commitment to strengthening national control mechanisms.

Summing up, parliamentary budgetary oversight is weak in all countries studied and has not significantly improved since the provision of budget support. In addition, within the framework of budget support, parliamentary performance is inadequately assessed, not yet systematically integrated at policy level and receives only limited EC support. Supreme audit institutions, on the other hand, have attracted more donor attention and their performance has improved in all three country cases. **To improve public financial management and to strengthen domestic accountability in the long run, institutions outside the executive, including civil society actors, must gain more weight in the design and management of budget support.**

Based on the findings from the three ACP countries, the following evidence-based recommendations have been made

For the European Commission:

- **The systematic inclusion of strengthening of domestic accountability in the EC guidelines** on budget support, starting with an unambiguous definition of and approach towards national control mechanisms that clearly acknowledges the important role of parliaments in budget oversight and that takes account of horizontal and vertical accountability.
- **The systematic assessment and monitoring of national control mechanisms**, especially parliaments and the development of a framework that provides a basis for effective parliamentary capacity development and the monitoring of parliamentary performance and improvement. In general, the greater consideration of parliaments in the budget support process as important agents of domestic accountability and as potential partners in ensuring that the aid provided is used to meet development targets. This includes **the systematic integration of parliaments in budget support funding processes such as policy dialogues or annual reviews.**
- **A well balanced approach to budget support funding and capacity development for key institutions that act as national control mechanisms** and a systematic upgrading of these institutions.
 - Particularly the **increased support of and capacity development for parliaments** through, for example, the establishment of Parliamentary Budget Offices, public hearings and parliamentary exchange.

- **Continued support for supreme audit institutions** and a more systematic inclusion of the external audit function of supreme audit institutions in policy dialogues and in Performance Assessment Frameworks, with a special focus on the effective follow-up of audit findings. In addition, supreme audit institutions should be proactively and systematically provided with information regarding budget support inflows and data. To improve alignment, national audit reports should be increasingly used by donors to reduce external audit mechanisms in the long run.
- **Capacity development and consultations of civil society actors.** Complement national control mechanisms by acknowledging the importance of civil society actors such as nongovernmental organisations and the media and include them in decision making processes, especially in countries where good financial governance is weak. Mechanisms used by civil society actors with regard to budget scrutiny and audit reports such as social audits, participatory budgeting, citizen report cards, public complaints mechanisms and tracking of audit follow-up should be actively supported to increase the accountability of government not only to parliament, but most importantly to its citizens.
- **A more direct and transparent dealing with the issue of fiduciary risks**, especially in the light of the dynamic approach of eligibility criteria. An assessment that includes the understanding, mitigating and monitoring of fiduciary risks and which includes the historical, governance and institutional context in which key institutions operate and an Annual Statement of Progress to identify reform outcomes and any new fiduciary or corruption risks is highly recommended.

For the European Parliament:

- **Include the issue of budget support and parliamentary budgetary oversight in the dialogue with Parliaments of ACP countries** in the framework of the joint EU-ACP Parliamentary Assembly with the assistance of the *Office for Promotion of Parliamentary Democracy*.
- **Establish an active partnership** for the development of a framework for parliamentary assessment and monitoring to introduce a systematic and regular evaluation of parliamentary performance in budget oversight.
- Include the issues identified in the present study in the **upcoming green paper on budget support**.
- **Conduct more research** regarding so called 'bad performers' in order to be able to evaluate EC standards for applying eligibility criteria in countries where good financial governance is weak; perhaps even too weak to provide budget support.

1 INTRODUCTION

Budget support funding has become more prominent since the late 1990s, especially in the wake of the Paris Declaration 2005, the Accra Agenda for Action 2008, and the European Union's aid effectiveness package 2006, as part of a wider quest to improve the effectiveness of aid. The major shift towards aid effectiveness is the use of programme-based approaches (PBAs)³ as well as the acknowledgement of partner country leadership and the increased use of local public financial management (PFM) systems. Budget support, as part of PBAs, is defined by the EC as "the transfer of financial resources of an external financing agency to the National Treasury of a partner country, following the respect by the latter of agreed conditions for payment. The financial resources thus received are part of the global resources of the partner country, and consequently used in accordance with the public financial management system of the partner country"⁴ (EC 2007: 10). The use of partner countries' PFM is the main difference between budget support and traditional development financing, which relied on external donor management and audit procedures. Within budget support a distinction is made between general budget support (GBS) and sector budget support (SBS). Both refer to transfers to the National Treasury; GBS, however, is non-earmarked funding in support of a national strategy whereas SBS is earmarked towards support of a sector programme, for example health or education.

In the Paris Declaration donors committed themselves to providing 66% of aid in the form of PBAs by 2010, while the EC committed to channel 50% of programmable aid through national systems in developing countries and to increase the percentage of aid provided in the form of budget support from 20% to 50%. Amongst other things the EC expects budget support to increase partner country ownership, to support macro-economic growth and stability, to foster institutional development, to provide additional resources for poverty related public expenditure and to promote domestic accountability (see EC 2005, 2008).

GBS is, however, highly controversial and the question of accountability⁵ is at the heart of expressed concerns. As more and more development aid is channelled to developing countries' systems, many donors must justify the use of GBS since it is feared that funds not earmarked will lead to increased corruption, fraud and misuse of aid. Parliamentarians in donor countries have to justify the use of taxpayers' money and highlight the greater fiduciary risks associated with GBS. For partner countries, on the other hand, potential disadvantages are an increase of volatility in aid flows and costly fiscal adjustments when disbursements are suspended or delayed, the creation of potentially intrusive and extensive conditionality and the risk that donor accountability demands might overshadow those of national institutions (see OECD 2006, IDD and Associates 2006). Nevertheless, for many governments receiving GBS it is the preferred modality of aid.

Parliaments and audit institutions in partner countries play a decisive role since the efficient use of budget support funding relies on capable national control mechanisms, decent PFM and effective checks and balances. Strengthening good financial governance and particularly domestic

³ The OECD/DAC guidelines define PBAs as "a way of engaging in development co-operation based on the principle of co-ordinated support for a locally owned programme of development, such as a national poverty reduction strategy, a sector programme, a thematic programme or a programme of a specific organisation" (OECD/DAC 2006: 37).

⁴ This definition coincides with the OECD definition, which defines budget support "as a method of financing a partner country's budget through a transfer of resources from an external financing agency to the partner government's national treasury" (OECD/DAC 2006: 26).

⁵ OECD/DAC defines accountability "as a mechanism through which people entrusted with responsibilities are kept under check when carrying out functions or tasks delegated to them" (OECD/DAC 2009).

accountability are key to making aid more effective and governments accountable to their citizens. The central role of national control mechanisms and domestic accountability stand in stark contrast to the actual capacity and performance of key institutions such as parliaments and supreme audit Institutions- in most developing countries these remain weak and ineffective. Budget support, in turn, is expected to strengthen the role of these institutions and increase domestic accountability since it is 'on-budget' and underlies local parliamentary scrutiny.

First evaluations of GBS impact on domestic accountability and PFM show mixed results. The impact GBS has had on improving PFM is acknowledged, whilst domestic accountability often remains the weakest link in PFM (see NAO 2008, KfW 2009, IDD and Associates 2006). Moreover, a more recent study emphasises the lack of systematic research on the effectiveness of parliaments or on the effectiveness of parliamentary strengthening in partner countries (see ODI 2009).

The present study aims to investigate specifically the role and effectiveness of developing country parliaments and supreme audit institutions (SAIs) in monitoring the use of budget support funding and the potential to strengthen their institutional capacity in budget processes, based on three in-depth country analyses. In addition, it aims to assess EC procedures and the extent to which national control mechanisms in partner countries are examined before budget support funding is agreed upon. Furthermore, the effectiveness of budget support conditionality to improve national control mechanisms, PFM and especially the oversight and audit function of parliaments and supreme audit institutions is critically examined.

2 METHODOLOGY

To assess the role of parliaments and SAIs in monitoring the use of budget support funding, the study will draw on three selected case countries: **Ghana, Burkina Faso and the Dominican Republic**. The European Parliament delineated four areas to guide the research:

1. The role and effectiveness of the national parliament, and its organs, in monitoring the use of budget support funding;
2. The role and effectiveness of any other state bodies in monitoring the use of budget support funding (e.g. supreme audit institution);
3. The extent to which decisions by the country's donors to initiate, or continue, budget support programmes are influenced by examination of national control mechanisms;
4. The extent and effectiveness of relevant budget support conditionality, or relevant accompanying measures, in influencing (and improving) national control mechanisms.

The research process was carried out in three distinct phases: 1. a preparation phase, 2. a research phase in the selected countries and 3. a write-up phase.

The **preparation phase** included a review of the literature, the selection of country cases, the development of the research framework (see Annex 3), and a workshop with the consultants to ensure comparability of the country case research. The selection of the three country cases (Ghana, Burkina Faso and the Dominican Republic) was made with the approval of the European Parliament and does not aim to be a representative sample. The countries were chosen to cover a variety of criteria. First of all the geographical location was decisive: a thematic focus was put on sub-Saharan Africa since it is the largest budget support recipient.⁶ In addition, a Latin American country was chosen to add some

⁶ According to OECD/DAC Data, since 2000, 60 to 70 per cent of overall GBS funding consisted of disbursements to sub-Saharan Africa (UNCTAD 2008).

geographical variety and to take another political, social and cultural setting into consideration. All three countries are regarded as so-called 'good GBS performers' and provide a good basis for comparison:

- Their national control mechanisms, parliaments and audit institutions suffer from considerable weaknesses.
- Ghana and Burkina Faso are similar in regard to their West African location; they differ, however significantly regarding their political situation, public financial management and especially their external audit systems.
- The Dominican Republic is a relatively new budget support recipient (since 2006) with a high share of GBS (47% of Official Development Assistance (ODA)) and remarkably weak national control institutions.
- The country selection allows a comparison of donor influence on countries where budget support funding makes up a big share of the national budget (Burkina Faso, Ghana) and countries where ODA and budget support are rather insignificant (Dominican Republic).

Table 1: Overview of countries studied

Country	Ghana	Burkina Faso	Dominican Republic
GDP*	1,334 US \$	1,124US \$	6,706 US \$
Extreme Poverty**	30%	56,2%	5%
ODA	1097 Million US \$	827 Million US \$	391 Million US \$
Budget support***	378 Million US\$	269 Million US \$	183 Million US \$
Budget support's share of ODA	34 %	33 %	47%
Budget support' share of the national budget	25-30 %	25-30%	4%

* per capita, Power purchase parity method

** Poverty Line: 1,25 US \$ a day)

***in 2008

Sources: UNDP Human Development Report 2009, OECD 2008 Survey on Monitoring the Paris Declaration: Making aid more effective by 2010.

The selection of good performers makes it possible to validate findings and to identify preconditions and best practices necessary to strengthen internal control mechanisms. The main task in the preparation phase was, on the basis of an extensive literature review, to operationalise the research questions and to develop a research framework in order to guide the country case study interviews. This research framework was applied to all three country case studies to maximise comparability.

As part of the research framework, **key aspects for the assessment of national control mechanisms** were defined: Since effective PFM, national control mechanisms and domestic accountability do not only depend on strong institutions, but on (i) the interaction and collaboration of institutions, (ii) an open and transparent budget process and (iii) a strong exchange and partnership of parliament and audit institutions with civil society actors (CSOs, media etc.), the research framework considers the role of all aforementioned actors and aspects. It furthermore distinguishes between internal accountability and external accountability. Within internal accountability a distinction is made between horizontal and vertical accountability. Internal accountability refers to the accountability of budget support receiving

governments to their institutions and their own citizens in terms of policy choices, budget allocations, spending and outcomes as well as the ability of institutions and citizens to hold their government accountable for its actions, to check abuses by other public agencies and impose sanctions for poor performance. External accountability refers to partner country governments' accountability to donors for the use of aid (see Stapenhurst et al 2007, OECD 2006). Horizontal accountability refers to the checks and balances within the partner country and the capacity of state institutions such as parliament and the judiciary to provide oversight and to audit the use of public resources. Vertical accountability refers to the mechanisms used by citizens and non-state actors such as civil society, NGOs and the media to hold government to account. Parliament, however, is also important in vertical accountability, since parliamentarians act as citizens' representatives. Through public hearings, committee hearings or public petitioning, parliament can provide a vehicle for public voice. Social accountability mechanisms are an example of vertical accountability relying on bottom-up civic engagement, for example through social audits or citizen report cards (see Stapenhurst et al 2008, OECD 2006b).

The **research phase**: The research process took place in three different countries (Ghana, Burkina Faso and the Dominican Republic) and was conducted by three different consultants. Research and findings were largely based on semi-structured interviews with parliamentarians (especially members of relevant budget committees), government representatives, SAIs (Auditor General), country representatives of European Commission delegations, other bi- and multilateral donors and civil society. In addition, key documents such as the Performance Assessment Framework (PAF), the Public Expenditure Framework Assessment (PEFA) and the EC Country Strategy Papers for selected countries were analysed. In a subsequent second workshop, research findings were presented, discussed and compared.

The **write-up phase** included an in-depth analysis and comparison of the case study research findings and the drafting of the report. Even though the study relies mainly on the primary data collected in the country cases, reference is made to experiences made in and findings from other developing countries when relevant.

The scope of the study is largely limited to GBS and does not focus on other PBA modalities. National control mechanisms and domestic accountability are most important to this aid modality, where funding is not earmarked for specific sectors or projects and partner country institutions have control over oversight and auditing functions. In addition, GBS funding is completely merged with local resources and other budgetary revenue, accounted for by partner country standards and cannot be associated with specific expenditures. Therefore, for the purpose of this study, the role and effectiveness of institutions such as parliament and SAIs in monitoring the use of budget support funding has to be examined in the context of the whole budget process. However, special consideration of parliaments and SAIs in the budget support funding process was included when meaningful (e.g. regarding the participation of parliaments in policy dialogue).

3 THE ROLE AND EFFECTIVENESS OF PARLIAMENTS IN MONITORING THE USE OF BUDGET SUPPORT FUNDING

With its ‘power of the purse’⁷ an effective parliament can use its budgetary powers to directly hold the government to account for budget allocation and spending. For the purpose of this study the oversight function of parliament refers to all parliamentary activities in the budget process: the review of budget planning and allocation, the amendment, rejection or approval of the budget *ex ante*, the monitoring of implementation and the audit and evaluation of *ex post* budget spending.⁸ Effective parliamentary oversight throughout all stages of the budget cycle is decisive for the success of GBS. However, in many developing countries parliamentary oversight of the budget remains inadequate and weak.⁹

This is confirmed by the findings of this study; in all three selected case countries the role of parliament in the budget process is weak and ineffective due to institutional, administrative and political constraints. It is significantly undermined by the political dominance of the executive and its effectiveness is further constrained by a severe lack of capacity, resources and support structures. Therefore, parliamentary monitoring of budget support funding in the countries studied is weak and ineffective. Nonetheless, there have been some improvements in recent years. Ghana, for example, must be seen as an example for positive development in *ex-post* oversight of the budget. The improved timeliness of SAI reports and the introduction of public hearings on audit findings have contributed to a growing awareness and interest among Ghanaian citizens and have raised parliament’s reputation. In the Dominican Republic, a recent constitutional reform has significantly strengthened the role of parliament and its independence from the executive. Currently, the major political challenge is to implement these newly gained rights and to overcome the legacy of extremely passive and ineffective parliamentary oversight. The weakness of the parliament in Burkina Faso must be attributed primarily to the lack of democratic structures and the dominance of the ruling party in and over the parliament, which do not allow it to perform a significant oversight function.

3.1 The legal framework and political situation

The legal framework and constitutional powers define the basis by which parliaments exercise their power in the budget process. Budgeting, however, is not only an administrative process, but takes place within a broader political context and must be analysed in conjunction with the power relations between the political actors who participate in the process. The theoretical influence parliaments could have can differ greatly from the *de facto* use parliaments make of these powers due to authoritarian rule or a legacy of passive parliaments. On the other hand, very progressive parliamentarians can be hampered by restrictive legislation. The constitutional powers and the use parliaments make of these powers vary widely in the three countries studied. In all country cases parliaments have the constitutional obligation to examine and approve the annual budget. However, the real impact made

⁷ According to Wehner, “the ‘power of the purse’ is an incontestable democratic fundamental. This also means that there is an obligation on the legislature to ensure that the revenue and spending measures it authorizes are fiscally sound, match the needs of the population with available resources, and that they are implemented properly and efficiently” (Wehner 2004: 3).

⁸ The development of key variables characterising the role and effectiveness of parliament largely draw on the latest scientific research findings (OECD 2002, Stapenhurst 2004, UNECA 2007, Wehner 2004 and 2006).

⁹ According to Wehner, the typical challenges in developing countries include (i) the lack of parliamentary involvement in setting strategic priorities, (ii) rubber-stamp approval due to capacity and political constraints, (iii) meaningless budgets since actual spending differs from the approved budget (iiii) Ineffective audits and lack of accountability because of the quality of audits and legislative capacity, (iiiiii) lack of transparency, which hinders oversight throughout the budget process (see Wehner 2007).

by parliaments in the three countries studied is significantly constrained by (i) the political situation and the lack of democratic structures, (ii) strong presidential systems, (iii) inadequately defined checks and balances and (iv) a legacy of passive and ineffective legislatures.

In **Ghana**, considered an African role model for democratisation, the constitution stipulates a strong presidential system whereby the executive's strong political dominance in and over parliament does not allow for any significant influence from the legislative. A further constraint is that constitutional separation of powers is blurred: According to the constitution, the president must appoint the majority of his ministers from parliament. In the political reality the president and ministers expect loyalty from the ruling party's Members of Parliament (MPs). Moreover, good relations with the executive are of paramount importance for opposition MPs as well, since they are duty bound to their constituency to improve local conditions.

Democratic political structures in **Burkina Faso** are very limited,¹⁰ within a parliament of 111 members the real opposition numbers only 11. All major parliamentary committees including the Finance and Budget Committee (COMFIB) are led by key members of the president's party (CDP). As a result, almost none of the policy and budget priorities determined by the president and executed by the government are modified.

In the **Dominican Republic**, since 1966 the executive party has had the majority in parliament and has understood that it should passively approve whatever leaves the president's office. Therefore, public resources are mainly utilized according to the executive's formulation, execution and evaluation of expenditure and controls. A new constitution went into effect in January 2010, representing real progress in empowering the legislative in its oversight role within the budget process. However, due to the recent launch of the constitution, and the legacy of the passive and diminished role played by parliament, the legislative is not yet making use of its new constitutional powers, although some parliamentarians express restrained hope that this is likely to change in the future (int.).

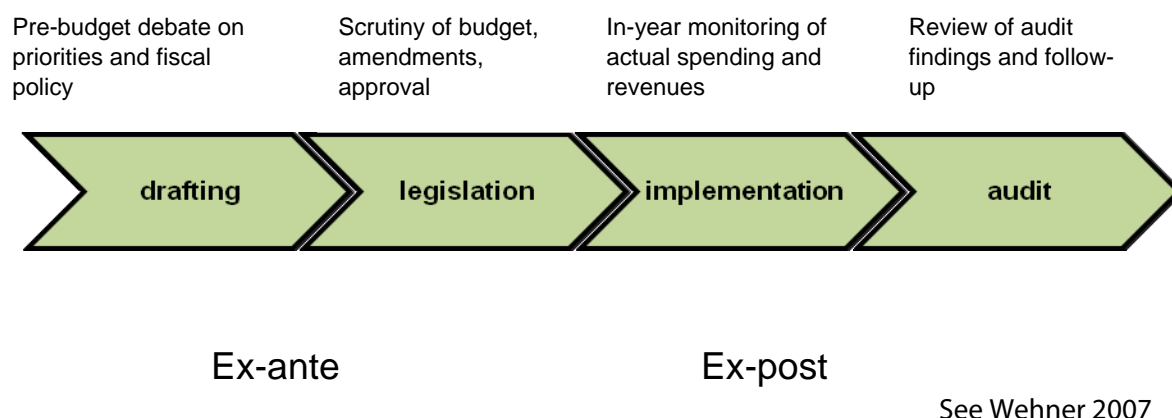
Neither does the parliament make use of all its constitutional powers in **Ghana**: Through the Loans Act (1970), parliament could be required to approve all loans taken out by the government, which includes essential segments of GBS. This opportunity is hardly ever taken, one of the main reasons being that only very few Members of Parliament (MPs) know about budget support (int.). In **Burkina Faso**, the National Assembly (NA) usually learns about GBS only during the ratification of loan and grant conventions (Lanser 2008: 13). In interviews it was stated that approximately 75 percent of parliamentary time is dedicated to the ratification of loan agreements, giving parliamentarians very limited time for in-depth analysis.

3.2 The role of Parliament in the budget cycle

The analysis will consider the role of parliament in the drafting and legislation stage (ex ante) and in the implementation and audit stage (ex-post) of the budget. The relational resources of parliament, to wit, the interaction with audit institutions and civil society actors, will be discussed in chapters 4.2 and 5.

¹⁰ Burkina Faso has been ruled by Blaise Compaoré since 1987. He took power in controversial circumstances following the assassination of the highly revered president, Thomas Sankara. In 1991 Mr Compaoré set aside his uniform and became a civilian ruler with the creation of the Congress for Democracy and Progress (Congrès pour la Démocratie et le Progrès or CDP). His party has consistently won all presidential and parliamentary elections since the introduction of multiparty democracy. The opposition is split between those who participate in the governing coalition or presidential circles and those who resist doing so.

The potential role of parliaments in the budget cycle



The relational resources of parliament, to wit, the interaction with audit institutions and civil society actors, will be discussed in chapters 4.2 and 5.

3.2.1 Parliaments role in the drafting and legislation stage of the budget (*ex ante*)

Ex ante scrutiny of the budget enables parliament to review the executive's revenue and expenditure proposals and to assess the content and strategic direction of the budget and its likely impact on various segments of society and the economy. The extent to which parliaments influence budget content distinguishes their role as (i) budget-making legislatures, (ii) budget-influencing legislatures or (iii) legislatures with little or no budgetary effect¹¹. The real influence parliaments can exercise *ex ante* depends on two factors: the nature of the formal powers conferred to amend the budget and the use parliament makes of these powers. Going by their formal amendment powers, parliaments in the three countries studied are budget-influencing legislatures. However, due to constitutional, political and historical constraints (see 3.1) the real influence the parliaments exercise is marginal and insignificant, leading to a situation in which parliaments in the case countries must be considered legislatures with little or no budgetary effect. Therefore, the monitoring of budget support in the *ex-ante* stage of the budget is weak and insufficient.

The **drafting stage of the budget**: It is widely accepted that the executive has a mandate to prepare the budget and that traditionally, in most countries, the drafting process takes place behind closed doors with no participation of parliament or the public (see Stapenhurst 2004, Wehner 2004). However, some argue that parliaments, or relevant committees, should formulate a number of suggestions for the various ministries prior to submission in order to contribute to the formulation of the budget in consultation with their constituencies, civil society and NGOs (See Touré 2001). In **Ghana, Burkina Faso** and the **Dominican Republic** parliaments play no role whatsoever in the formulation of the budget or in setting strategic priorities.

¹¹ Wehner and Byanyima (2004) use the following definition: "Budget-making legislatures have the capacity to amend or reject the budget proposal of the executive, and the capacity to formulate and substitute a budget of their own. Budget-influencing legislatures have the capacity to amend or reject the budget proposal of the executive, but lack the capacity to formulate and substitute a budget of their own. Legislatures with little or no budgetary effect lack the capacity to amend or reject the budget proposal of the executive, and to formulate and substitute a budget of their own. They confine themselves to assenting to the budget as it is placed before them".

The **approval stage of the budget**: As stated above, in the three case countries parliaments have the constitutional obligation to examine and approve the budget. However, the amendments the parliaments studied have implemented are insignificant and without political weight.

In **Burkina Faso** amendment powers are rather limited (Article 113), the legislature may decrease existing expenditures, but cannot increase existing items, which makes it per definition a budget-influencing legislature. Members of the Finance and Budget committee interviewed stated that through specific subcommittees, MPs often provide modifications to budget proposals and revise certain governmental suggestions (int.). However there has never been an instance of rejection of the entire government proposal, mainly because the proposals made by government are ipso facto the priorities as defined by the President. Not to approve the budget would be equivalent to a vote of no confidence. In addition, it is quite telling that while some parliamentarians believe that they fully exercise their constitutional right of control in the area of budget and finances, the leader of the opposition is more cautious and believes that adherence to the constitutional provision of parliamentary oversight is more virtual than real, considering that the overwhelming majority of parliamentarians are allied to the ruling party (int.).

The parliament in **Ghana** does not have a strong oversight role in the ex ante process; the budget is usually approved with only few changes. Legislative amendment powers in Ghana are limited to the same extent as in Burkina Faso: parliament may not make any changes which lead to higher expenditures or lower revenues (Art. 108). It does however have the opportunity to make small shifts within a sector budget. In reality though, even this small opportunity is rarely made use of.¹² In practice, the parliament is involved only from the moment the Minister of Finance officially submits and explains the draft budget in the annual budget statement. Before this budget day, parliament is not officially involved and informal processes of alignment do not seem to exist either. This leads to the governing party's main difficulty in parliament: The moment the budget is brought before parliament it is a political issue (int.). The majority faction has to defend the government's draft against the opposition's criticism, not least because of the fact that there are a large number of ministers and deputy ministers in the leading faction.

In general, the oversight role of parliament in the **Dominican Republic** is very weak. Parliamentary budget assessments are characterized by passive discussions and rubber-stamp approval. Under the old constitution parliament was allowed to post amendments, but the large majority required for approval was a regulatory barrier. Under the new constitution however, this barrier was reduced to create an opportunity for parliament to engage more actively in exercising budget law. The current situation is that of a newly empowered parliament that has the legal framework to actively influence the budget, but does not yet make use of this power, reducing it to a legislature with little or no budgetary effect.

3.2.2 Parliaments role in the implementation and audit stage of the budget (*ex post*)

Ex post scrutiny implies two stages: (i) during budget implementation parliaments should scrutinize revenue and spending details to ensure that these meet the actual approved budget. (ii) In the audit and evaluation stage parliaments review the quality of budget implementation on the basis of audit

¹² During the interviews, an example was given from the 2010 budget in which a reduction in the spending on official vehicles in favour of an increase in the personnel budget in the same ministry was pushed through by parliament. This reflects parliament's political culture and traditional opposition politics which are usually not understood as constructive matter-of-fact politics seeking for real political alternatives. Instead, for one thing, politics is aimed at attacking political opponents at a rather personal level. For another, opposition MPs also seldom discuss broader political issues, but rather feel they are duty bound to do something for their constituency.

findings to see if planned outcomes have been achieved and if value for money was obtained. For this process to be effective, parliaments should use the audit findings when considering future budgets.

In all case countries studied the major challenge remains the implementation of recommendations and effective follow-up of audit findings. This is especially true in the case of Burkina Faso, where a climate of impunity ultimately limits parliament's ex-post oversight functions. Ghana must be seen as an example of positive development in ex-post budget oversight. The introduction of public hearings has contributed to growing awareness and interest among Ghanaian citizens and has considerably strengthened parliament's reputation. In the Dominican Republic, as of now, there is no serious ex-post oversight and it remains to be seen whether the new constitution will contribute to a more active and engaging parliament.

In **Burkina Faso**, ex-post scrutiny is characterized by a number of mechanisms that can be utilized by parliament. During budget implementation, for example, the government has an obligation to present any proposals for revision of the budget to parliament, significantly reducing the government's ability to make intransparent increases in real spending. At the audit stage, parliament has important tools it uses to check whether the priorities initially defined are being met and to ensure that funds are not misappropriated. In the review of the loi de règlement, voted on by parliament prior to government submission of a budget proposal for the following year, government must explain how it used funds to meet the priorities that were initially voted on by the NA (int.). In addition, according to the constitution (Article 105) the loi de règlement is reviewed by the Court of Auditors (CoA) for the NA. This public report often contains important recommendations such as continued efforts to recover state funds from individuals. However, the NA has consistently been reprimanded for not acting on such recommendations through for example parliamentary inquiries that could serve as a form of political sanction for those concerned. Also, Article 111 gives the NA the authority to probe the government on budget issues through oral and written questions. Although these powers are conferred on parliamentarians, they are seldom used due to internal factors stemming from the ruling party's (CDP) leadership in the parliamentary bureau.¹³ All in all, due to weak follow-up on audit findings and the political composition of parliament, the executive is not seriously held accountable.

In **Ghana**, parliament has assumed a somewhat stronger role (compared to its ex-ante role) in budget auditing during the last two to three years. Its most important task is to discuss the Auditor General's annual report and to draw recommendations from it. In recent times the Public Accounts Committee (PAC) has been pursuing this task more actively than before. Most importantly, it has gained more influence through the introduction of public meetings and hearings, which are being documented in detail by the media (live on TV and radio). Before the 2008 elections a hearing on misappropriation and mismanagement of school feeding funds attracted great attention. Due to the Standing Orders of the Parliament, the PAC is the only parliamentary committee that is chaired by an opposition MP (order no. 162). This is one of the factors that make it possible for the committee to assume a more critical position towards the government. In addition to general constraints (see 'effectiveness' 3.3), the PAC's work so far has suffered most from the low quality of and the delays in the Ghana Audit Service's annual reports. However, there have been considerable improvements in recent times, which, together with a more active and transparent PAC, could lead to a significantly greater influence in the future. The implementation of PAC recommendations is also showing some failings; responsibility lies with internal committees in the Ministries, Departments and Agencies (MDAs) which were installed only a few years ago and in many governmental agencies are still not working efficiently enough.

The oversight function of parliament in the **Dominican Republic** ex post is, again, alarmingly weak. During budget implementation, parliament just smoothly oversees the reports received from the executive, and validates them with practically no time for a more exhaustive analysis. For the audit of the budget, parliament receives and validates the reports provided by the supreme audit institution (SAI), the Chamber of Accounts (CoA). However, these reports have traditionally been received late and with limited impact due to the undervalued role played by the CoA.

3.3 The effectiveness of parliaments in monitoring budget support

The quality of parliament's role in overseeing the budget is not only defined by constitutional powers and how parliaments make use of these powers in the budget cycle, but to a great extent by the procedural and administrative effectiveness of parliaments in the budget process. Key factors limiting the effectiveness of parliaments are, first, time for scrutiny¹⁴ and the lack of a budget act which clearly stipulates the rights and responsibilities of parliaments in the budget process. In the Dominican Republic, for example, the introduction of such a bill alongside constitutional reform now enables parliament to have sufficient time for scrutiny.¹⁵ Second, a lack of capacity, adequate resources and support structures which severely weakens the quality of parliamentary work. The fact that parliamentarians in Ghana and Burkina Faso do not have their own office space is an unacceptable constraint. The capacity of parliamentarians to actually understand and analyse the budget and gain access to all relevant information poses a serious challenge. The establishment of a budget support office, equipped with qualified staff, adequate information technology and access to key information, like the newly created Planning and Developing Unit (PDU) in the Dominican Republic, and the continuous and systematic support of donors could lead to significant improvement of this situation.

3.3.1 Time for scrutiny

In **Ghana**, the parliament has only about four weeks to discuss the draft for the annual budget; these deliberations include both general debates in plenary and deliberations in committees. The limited time for scrutiny can be traced back to the lack of judicial regulation of the budget process. However, parliamentarians across different parties are discussing the introduction of such a bill (int.). This could, for instance, require government to submit the budget earlier in order to give parliament more time for analysis and deliberation. Such a bill could also include the institution of a budget office, where a well versed staff would assist parliament in budget deliberations. Of a more fundamental nature are deliberations in the recently begun constitutional review process aimed at granting parliament more rights through a change of constitution.

Time for scrutiny does not seem to be the major constraint in **Burkina Faso**. In interviews it was stated that the Finance and Budget Committee members take a retreat for as long as necessary (for instance

¹³ During the present legislative period MPs from both the presidential majority and the opposition have addressed over 70 written questions to ministers, but have been met by silence from the CDP leader of the House who retorted that ministers had rather charged schedules.

¹⁴ The OECD states that: "The government's draft budget should be submitted to Parliament far enough in advance [...] In no case should this be less than three months prior to the start of the fiscal year" (OECD 2002b).

¹⁵ Another interesting example is Uganda: "The Parliament of Uganda in comparison to parliaments in many developing countries is relatively well-placed in terms of its ability to engage in the budget process. This is in large part because of the passing of the Budget Act in 2001 and the subsequent establishment of the Parliamentary Budget Office. As part of the Parliamentary Service, the Parliamentary Budget Office has the task of providing objective and timely analysis to Parliament's Budget Committee and Parliament more widely to improve the quality of parliamentary engagement with the budget process and financial management" (see Tsekpo and Hudson 2009: 13).

two weeks) to reflect on and give their suggestions to the Minister of Finance's proposals. This is confirmed by a recent study, which indicates that the NA has about three months to assess the budget before approval, which complies with the requirements of the organisation for economic co-operation and development (OECD) (see de Renzio and Wehner 2008).

In the **Dominican Republic**, under the old constitution the budget was delivered to the parliament with insufficient time for scrutiny, normally two or three weeks (int.). This often forced the legislature to approve the budget without a single contribution. The new Constitution represents real progress and provides more competences. From now on, the executive must send the budget on 1 October, giving parliament three months for scrutiny, thus complying with OECD requirements. However, it remains to be seen if this new regulation will be implemented effectively.

3.3.2 Capacity and resources

In **Ghana** and **Burkina Faso**, parliament's capacity, resources and support structures are weak. MPs do not have their own offices and have to improvise a lot ("I keep the necessary documents in the back of my car" (Ghana int.)). Support structures are also severely limited; MPs do not have a budgetary support office or research assistants. Additionally, many MPs lack the necessary technical knowledge needed to understand and analyse the budget. A further constraint is the high turnover regularly caused by elections. This issue, however, could be solved if the training of MPs on budget control issues were institutionalized and made regular. In Burkina Faso, reference was made to the fact that criteria for choosing the MPs who participate in trainings could be more transparent (int.). In addition, some of these constraints could be tackled with impulses from the parliamentarians themselves. A lot of information that would increase parliamentary effectiveness is available (e.g. on budget support on the internet), but is not made use of. Interestingly, in both country cases, the researchers came to the conclusion that parliamentarians could fund the costs for research assistance out of their own pockets, given their comparatively high salaries. However, this suggestion was not received enthusiastically by parliamentarians (int.).

Moreover, in both countries, apart from inadequate resources and support mechanisms, the effectiveness of parliament is weakened considerably by limited constitutional powers and the overall political situation (see chapter 3.1). In **Ghana**, a constitutional review process has recently started to grant parliament more rights through a change of constitution. One important consideration, repeatedly mentioned by MPs, is abolishing the option of MPs also being part of the executive as ministers or deputy ministers (int.). In **Burkina Faso**, the leader of the opposition and one of the vice presidents of the NA noted that the real issues affecting effectiveness and constraints were related to structural problems due to a lack of true democratic change as well as a marriage of the scourges of corruption and impunity (int.).

The situation in the **Dominican Republic** differs to a great extent. Having one of the most advanced legal and regulatory frameworks in Latin America, boosted by the new Constitution and the reform process started in 2006, the effectiveness of parliament in monitoring the budget process is a matter of implementing the rights and powers assigned by law. In the past, the lack of technical support to the MPs, and MPs low level of training further undermined the traditionally weak role of Congress and was partly used as an excuse for ineffectiveness. However, a recently created technical division at the Chamber of Deputies (CoD), the Planning and Development Unit (PDU),¹⁶ is in charge of supporting MPs with budget analysis, advice, training and monitoring tools. Nevertheless, there is a general lack of information concerning budget data and government objectives, although it is improving a lot with the

¹⁶ With technical support of UNDP under the Project of Modernisation and Strengthening of the CoD.

new unit and the Financial Management Information System (FMIS). However, the FMIS still lacks a more detailed data breakdown. ODA and budget support data from international donors is neither specified nor explicitly discussed. Also, the fact that the executive does not have a national development strategy is affecting the way in which parliament monitors the budget. MPs are missing clearly delineated and visible priority objectives that can guide them through the analysis and assessment of the budget. The new National Development Strategy is a legal project with a draft document dated November 2009 and pending approval in the course of 2010.

In sum, the role and effectiveness of parliaments in monitoring budget support shows significant weaknesses. The key question however is whether this weak capacity will have a detrimental effect on the success of budget support and the creation of domestic accountability,¹⁷ or if, in the long-run, parliaments' capacity can be significantly strengthened through the provision of budget support. As mentioned above, it is expected that making aid funds subject to domestic control will ultimately strengthen national control mechanisms. However, in the absence of coordinated donor efforts to support parliaments and to systematically strengthen their capacities, the provision of budget support alone will not strengthen parliaments' performance. Furthermore, beyond technical capacity building, the biggest challenge remains the domestic political culture and the creation of incentives for strengthening the political role of parliaments.

Table 2: Strengths and weaknesses of parliamentary oversight

	Ghana	Burkina Faso	Dominican Republic
Ex-ante stage of the budget	Weak (primarily due to strong presidential system)	Weak (very limited democratic structures, limited amendment powers)	Weak (however, amendment powers increased with new constitution)
Ex-post stage of the budget	Improving (improved Timeliness of SAI reports and a more active PAC, public hearings)	Weak (overwhelming majority of parliamentarians are allied to the ruling party)	Weak (very limited follow up on audit findings)
Effectiveness	Weak (Four weeks to analyse budget proposal, no budget bill, limited resources or support structures)	Weak (Three months to analyse budget, no budget bill, limited support structures and resources)	Improving (3 months to analyse budget, advanced legal framework, establishment of technical support unit)

¹⁷ As Mfunwa stated: "In principle, putting aid funds in the budget enhances local control over them, and requires strong checks and balances in the political system. This calls for technically capable parliaments to scrutinise public finances effectively, which further requires enhanced political role of parliament both in law and administration. In sum, in the absence of the 'right' political environment for state organs to function, internal accountability will founder. In such an environment new development initiatives such as GBS will be ill suited as an aid delivery vehicle" (Mfunwa 2006: 8).

4 THE ROLE AND EFFECTIVENESS OF SUPREME AUDIT INSTITUTIONS

SAIs are key institutions to ensure domestic control over budget support funding. They play a crucial role in (i) auditing government accounts and operations, (ii) promoting and developing sound financial management, (iii) the proper execution of administrative activities and (iv) the communication of information to public authorities and the general public (see INTOSAI 1977). A number of factors determine the role and effectiveness of SAIs¹⁸, to wit, institutional resources such as mandate, independence, quality of reports, and effectiveness of follow-up as well as technical, financial and relational resources, particularly the interaction with parliament.

In all countries studied, the role of SAIs in monitoring budget support funding has improved in the last years. In addition, **donor support to SAIs has increased significantly in the wake of budget support and in all case countries has led to a strengthening of the institutions.** However, major challenges remain: The lack of resources and adequate funding for SAIs is evident in all three case countries. Usually this problem cannot be tackled separately from the lack of independence of SAIs. If government institutions (especially the Ministry of Finance) are advising the budget of the SAI, they are most likely not very interested in increasing SAI capacity. The implementation of SAI recommendations remains a major weakness in all three case countries and seriously limits the extent to which government is held to account. In addition, internal audit institutions are not yet effectively tackling corruption and are regarded as too close to the state which dilutes their capacity to act as independent control mechanisms. Additionally, internal audit institutions don't seem to be a high priority for donor support. However, in the case of Burkina Faso, the main regulator for public tenders (ARMP), newly established in 2008 at the urging of the West African Economic and Monetary Union (UEMOA) and donors, has been performing remarkably well, demonstrating that donor support to internal audit institutions can be worthwhile and significant.

4.1 Institutional capabilities of audit institutions

The external audit model in **Ghana** follows the Westminster tradition. The Ghana Audit Service (GAS), with the Auditor General (AG) at its head, is playing an increasingly important role in the country's public finance management system and has improved considerably during the last few years. The role of the GAS is rooted in the constitution and regulated in detail in the Audit Act (2000), which requires the GAS to submit its audit report six months after the end of the budget year. This report is based on – partly very intensive – financial audits in ministries and other governmental institutions. In all important ministries – particularly in the Ministry of Finance – the GAS has installed a permanent work unit (12-15 staff members in the finance ministry), which has continuous access to financial documents. In addition to the annual reports on the budget, the GAS prepares reports on five to ten select areas of government work. These do not focus solely on finance, but monitor the effectiveness of governmental institutions in general. This reflects a change in the basic understanding of the GAS mandate; from financial auditing to performance auditing. The quality of these reports has improved considerably. The 2008 report on housing for police officers, for example, was given a Swedish award for the best audit report in sub-Saharan Africa. These improvements are partly due to a significant increase in budget support from international donors, who have an interest in strengthening controls over government expenditures. A peer-review process between African audit institutions is also said to have contributed to improvement. According to interview partners, taken together this has resulted in higher quality and much more timely production of reports. The report for the 2008 budget year was the first one the AG actually submitted to parliament within the 6 month time limit. The generally improved quality of GAS

performance is also reflected in the number of expenditures it finds fault with. In addition to an increase in in-service training, the GAS now recruits more qualified personal (recruitment of graduates).

Nevertheless, **the effectiveness of GAS is diminished by a number of factors:**

- **Timeliness:** While it is true that the AG has by now submitted reports for the budget years up to and including 2008, parliament is currently (February 2010) still discussing the AG report for 2004 due to the fact that reports were previously delayed by several years. The PAC has set itself the ambitious target of processing the reports up to and including 2008 by the end of 2010, so that starting with the following year it will deliberate on the reports in a reasonably timely manner.
- **Independence:** Another problem is the AG's dependency on the government. The GAS is a government agency which is formally independent from the executive. However, as long as the AG has not been appointed for an unlimited period and can be dismissed by the president on grounds of misbehaviour, incompetence or incapacitation of mind or body, he is not fully independent. Though members of GAS staff have assured that routine work is not affected by this situation (int.), a particularly critical position towards the new government is not to be expected at this time. In addition, the Ministry of Finance allocates the annual GAS budget, which also decreases independence.
- **Resources:** The financial situation of the GAS also limits the efficiency of its work. The annual budget is allocated by the Ministry of Finance, which probably is not overly interested in strengthening the auditors' work. Although additional donor funds have improved the situation, the GAS is far from ideally equipped. The GAS is not represented in all ministries and on a local level GAS staff is present in only half of the districts.

Regarding **internal audit institutions**, the legal framework was significantly strengthened with the Internal Audit Act of 2003. The act established the Internal Audit Agency (IAA), supported by the creation of Internal Audit Units in the ministries, departments and agencies (MDAs). However, the implementation of PAC recommendations lies with internal MDA committees which were installed only a few years ago and are not yet working efficiently in many governmental agencies (Quist et al 2010, 117).

In **Burkina Faso**, as a former French colony, the external audit model leans more towards a judicial model of financial control. The main institution for external audits, the Court of Auditors (CoA) was created in 2000. It is the supreme judicial organ for financial control (Article 127 BFC) and the third supreme court of the country after the Federal Court of Justice and the administrative court. The main goals of the CoA as stated in the law establishing the court are to verify public accounts; sanction instances of mismanagement of public funds and assist the NA in its control of the execution of finance laws. For the latter, it is the task of the CoA to examine the government bill of the loi du règlement and to provide the national president and the president of the NA with a report containing a general declaration of conformity or non-conformity (law 014-2000, Article 103). The CoA judges were appointed by the President of Burkina Faso in 2002, the members of the court are pulled from various services but must have a solid background on finance related issues. All audit bodies noted the use of the rules of the international organisation of supreme audit institutions' (INTOSAI) and also alluded to doing both performance and financial audits (int.). Regarding auto audits, CoA representatives interviewed spoke of being involved in a network of audit courts and within this framework auto audits

¹⁸ See DFID (2005), Wang et al. (2005).

are encouraged. The CoA is well regarded and respected within the country and beyond (int.). In the past they have had the courage to clearly identify authors of fraud in their annual reports.

However, **significant weaknesses remain in the following areas:**

- The lack of follow-up or sanctions on audit findings. This also reflect concerns, mentioned in interviews, that impunity is endemic in Burkina Faso. The 2005 CoA report, for instance, noted irregularities in the management of the Ouagadougou Urban Council but there has been no suitable follow-up. The CoA lacks the real legal powers to ensure that their recommendations take effect, especially with regard to those accusations that are matters of criminal liability. Therefore, interlinkages between the CoA, audit bodies and the judiciary should be clearly defined and articulated. Nevertheless, it is believed that the reports of the CoA have helped to generate a healthy degree of awareness of budgetary issues amongst the population.
- Independence: The CoA is a formally independent body manned by officials acting in their capacities as sworn magistrates. The judges are appointed by the President for a period of five years with an option of one time renewal, however, the head of the CoA may be removed by the president, which decreases its independence to a great extent. Nevertheless, the CoA is well regarded and respected within the country and beyond and its officials act as independently as they can within the framework of the CoA's founding statute, the Constitution and, importantly, the political realities and constraints of Burkina Faso (int.).
- Resources: The CoA (especially its public prosecution department) suffers from a shortage of qualified personnel and adequate funding.

Amidst calls for actions to be taken against those named in the public reports of the CoA, preparations are underway to create a financial and budgetary discipline chamber within the Court, a plan also called for by donors. In addition, efforts are now being made to improve the circuit between the CoA and of the state as a whole (int.).

Apart from the CoA as an external audit institution, **Burkina Faso** has an impressive architecture of **internal audit institutions**.¹⁹ However, it has been stated in interviews that most of the bodies are actually structured to please donors by tracking very minor cases of misappropriations while leaving major architects of state theft unscathed (int). The newly established chief regulator of public tenders (ARMP), at the urging of the West African Economic and Monetary Union (UEMOA) and donors (especially the African Development Bank (AfDB)), is showing increased openness to civil society and the improvement of transparency. Nevertheless, all internal control organs are regarded as too close to the state to undertake effective audits. In addition, the sheer number of instances could actually be detrimental as it makes for a heavy bureaucratic system that ends up working at cross purposes with the initial goal of results-oriented checks. This is exacerbated if some of the control bodies are only created to provide a semblance of transparency, aware that their recommendations are seldom followed.

In the **Dominican Republic**, external audits are based on a judicial model. The CoA is the country's external supreme audit institution (SAI), with administrative, operative and budgetary autonomy. Law 10-04 of the CoA (20 January 2004) empowers the chamber to examine the general and particular accounts of the nation assisted by the Directorate General of Audit (DGA). It is important to underline that the CoA is nowadays immersed in a profound state of reform. To date, the CoA has been

¹⁹ The Autorité Supérieure de Contrôle de l'Etat (ASCE); the Autorité de Régulation des Marchés Publiques (ARMP); the General Inspectorate of Finances (IGF), the Direction Générale des Marchés Publiques (DGMP) and the General Directorate for Financial Control (DGCF).

characterised as a discredited institution with very weak institutional capacities. The CoA acted in the past as a court dispute system rather than as an audit institution, with judges instead of auditors as professional and qualified technicians. Ex-post audit evaluations and assessment reports have not enjoyed much credibility and have had little weight in monitoring the budget. The reform process began in 2004 and had a big push forward in 2008 with a new mandate supported by international institutions.²⁰ Until now, technical personnel were recruited directly by the executive using discretion procedures. Nowadays, as part of the United Nations Development Programme (UNDP) support programme for institutional strengthening of the CoA, the chamber is opening a tendering procurement process and a private consultancy firm is assisting the personnel training programme. Other cornerstones of the reform are the adaptation of audit guidelines (last update from 2004) that adhere to international standards (INTOSAI) and creating the Audited Guide, all part of the UNDP programme. Whereas it used to be an institution directly dependent on the executive, the new law has shifted this competence to Congress, giving the body more independence as regulated by law. These important steps are preconditions for the CoA's move towards achieving more respect, credibility and capacity for monitoring the national budget. Donors strongly supported this reform process and backed the national dynamic (int.).

Some major weaknesses have yet to be tackled:

- **Independence:** In the past, the CoA's independence was severely constrained since its mandate depended on the executive. This still burdens the effectiveness of the CoA today. However, with the new legislation, mandate has been shifted to Congress (Law of the Chamber of Accounts of the Dominican Republic, 10-04), thus the CoA is expected to play a greater role and it is assumed that it will reinforce the capacity of Congress to monitor the budget in a complementary relationship.
- **Timeliness:** Time reporting is still a handicap to increasing the chamber's effectiveness. The problem lies above all in the municipalities and decentralised organisations, where discipline and capacities are lacking. The reports sent to Congress have not been evaluated and approved within the deadline period; in the past three years the legislative merely mentioned the audit report on the budget execution of 2006, without proposing any corrective measures to the executive.
- **Resources:** The constraints slowing down the process of CoA modernisation can be summarised as a lack of funding. The law dictates that the CoA must receive 0.30% of the national budget, although this is never accomplished. The annual budget is DOP 423 million, within this budget the chamber should audit 3200 institutions (governmental, decentralised and autonomous). This macro constraint directly leads to the following:
 - The budget is too low to correctly perform CoA functions
 - Lack of technological platform
 - Lack of required high-qualified personnel due to inability to pay sufficient salaries
 - Lack of physical infrastructure
- Compliance to recommendations made by the CoA in its final reports are obligatory for the audited body, and reports should be the object of monitoring and follow-up. Even though the

²⁰ One of the first measures undertaken was to fire unqualified personnel (101 employees in October 2008 and 45 in June 2009). In 2008 it had a workforce of 770 employees and a target of reducing this to 500 highly qualified staff.

chamber organisational chart has a specific division in charge of monitoring recommendations along with the Division of Quality Control, it is not currently in place, resulting in a weak-follow up of recommendations as of now.

- The Secretary of Finance does not systematically inform the CoA about ODA and budget support data. Therefore, the CoA is cannot identify the amount of budget support received (int.). The CoA also expressed concerns that it has not so far been used as the audit organ of donor budget support practices (int.), and underlined the importance of such a mandate.

A tipping point will be August 2010, after the new elected Congress begins work and decides on a new mandate. The 6-year period to follow will play a key role in implementing modernisation and institutional reform such as positioning the CoA accordingly. The reform must be understood in a general context of civil society change, fostering transparency, access to information, use of information and communication technologies and integrating systems and platforms. Preconditions are being set and important steps taken that allow the CoA to move towards achieving respect and credibility and more capacity to monitor the execution analysis of the national budget.

The General Comptroller's office (Contraloría General de la República) is the executive's **internal accountability governing body**, independent of the Secretary of Finance (SoF) but accountable to the executive. It has audit units in charge of elaborating technical, administrative and financial audits. Its main role is to monitor adequate income for and investment of funds in the different departments of the public administration, the state and municipalities; to unify examination of persons and entities that receive and manage funds; and to inspect the accounting of the corresponding offices. The General Comptroller sends the reports to the CoA, which is in charge of auditing them and then the CoA itself accounts to the congress. The General Comptroller is, however, often seen as a body directly attached and accountable to the President's office, "to cover his back" (int.); it has no interaction with international donors and works outside of the international assistance circuit.

Table 3: Strengths and weaknesses of supreme audit institutions

	Ghana	Burkina Faso	Dominican Republic
Independence	Weak (appointed for limited period of time and can be removed by President)	Weak (appointed and removed by president)	Improving (Mandate to appoint CoA has shifted to Congress)
Timeliness and quality of audit reports	Improving (The report for the 2008 budget year was the first one submitted to parliament within the 6 month time limit)	Improving (the report for 2009 is under preparation and the one for 2008 was published in 2009)	Weak (in the last 3 years the legislative just mentioned the audit report about budget execution of 2006)
Resources	Weak (inadequate funding and staff, budget advised by Ministry of Finance)	Weak (The CoA suffers from a shortage of qualified personnel and adequate funding)	Weak (CoA reform process lacks funding, Lack of required high-qualified personnel)
Follow-up and implementation of audit findings	Follow-up: Improving but Implementation: weak	Weak	Weak

4.2 Interaction of Parliament and SAI

For horizontal accountability to be effective and to ensure that audit recommendations are translated into effective policy and behavioural change, the interaction between SAI and parliament is of paramount importance. Depending on the different type of external auditing, the institutionalised relationship between the SAI and parliament differs greatly. In the Westminster model,²¹ the SAI and parliament are directly linked and the SAI is a core element of parliamentary oversight since parliament depends on the audit findings of the SAI. The effectiveness of the SAI, in turn, also relies on parliament to follow up on its findings and recommendations. In the judicial model,²² the SAI is a court and an integral part of the judiciary; in general, the follow-up of audit findings relies on the magistrates serving the court.

Drawing a conclusion from the case countries, the collaboration of parliament and the SAI under the Westminster model of external auditing (Ghana) seems to be more effective than the collaboration under the judicial model in Burkina Faso and the Dominican Republic. The improvement of collaboration, however, cannot solely be attributed to the audit model. The quality and timeliness of reports, in conjunction with the introduction of public hearings, are also key factors. Furthermore, constitutional changes allowing improved collaboration of parliament and the SAI need to be followed up by implementation. This leads to the supposition that the overall democratic culture of a country is decisive for institutional collaboration.

In **Ghana**, following a Westminster model, the AG submits the final report to Parliament. The report is published at submission. The AG is then available to the parliament, particularly the Public Accounts committee, for questions and consultations. The PAC examines and debates the SAI's report on camera and in public (first public hearings began in 2007). The report contains recommendations and the AG monitors the handling of these recommendations. In addition, internal audit units in the ministries follow the implementation of AG recommendations. The GAS, in cooperation with the Attorney General, can also initiate legal proceedings, for example if cases of corruption have been uncovered (as in the case of school feeding funds, see above). Moreover, the AG reports are closely observed and discussed by international donors and individual aspects are brought into the policy dialogue with the government. The collaboration of GAS and Parliament has significantly improved, especially the timely availability of SAI reports (6 months after the end of the budget year) and the increased engagement of the PAC in following up the recommendations of the GAS.

²¹ DFID (2004): "Under a Westminster model, the work of the Supreme Audit Institution (SAI) is intrinsically linked to the system of parliamentary accountability. The basic elements of such a system are: (i) authorisation of expenditure by Parliament; (ii) production of annual accounts by all government departments and other public bodies; (iii) the audit of those accounts by the SAI; (iv) the submission of audit reports to Parliament for review by a dedicated committee; (v) issue of reports and/or recommendations by the PAC; and (vi) Government response to PAC reports" (DFID 2004: 2).

²² DFID (2004): "Under the Judicial model, the SAI is an integral part of the judicial system operating independently of the executive and legislative branches. Its key features are: (i) the SAI is a court and its Members are judges who can impose penalties or corrections on audited officials; (ii) there are strong safeguards over the independence of the Members of the Court who are usually appointed for a non time-limited term until a fixed retirement age; (iii) the Court normally selects a Member to act as its president on a first among equals basis. However, all members have independent judicial status and the authority to rule on the cases in front of them; (iv) the main focus of the audit work is to verify the legality of the transactions which have taken place; (v) professional staff in the SAI tend to have legal rather than accounting or auditing backgrounds; (vi) there is often no Public Accounts Committee in the national Parliament as the detailed task of holding officials to account is carried out by the Court; and (vii) there is limited follow up of the Court's reports by Parliament" (DFID 2004: 5).

Burkina Faso and the Dominican Republic both follow the judicial model of external audit. In **Burkina Faso**, the most important interaction between the NA and the CoA is the bill of the loi du règlement on the basis of which parliament approves the budget for the following year. The CoA also plays a vital role in advising parliament in its budgetary oversight function by providing yearly declarations of conformity that accompany its reports. Clearer cooperation between the CoA and the rest of the penal system will ensure that those named in reports meet with appropriate retribution: penal or administrative. In this regard accelerated efforts to create the Chamber of Discipline within the CoA should be encouraged. Since the CoA has the mandate to sanction misuse of funds, the role of parliament is rather limited in this respect.

In the **Dominican Republic**, traditionally the CoA depended on the executive, which had the power to choose its mandate. The new constitution significantly empowers the CoA as an independent SAI with members elected by Congress. The CoA reports to parliament annually during the first ordinary legislature, also providing an analysis and evaluation of the Budget Income Execution and Public Expenditure Law approved last year. This report contains a summary of audits completed and is available at the CoA's website. The CoA–Parliament relationship formally has four points of interaction (by law): (i) the formulation of CoA's budget with one representative of the Senate and one representative of the CoD; (ii) CoA has the obligation to assist the CoD whenever required by the CoD via invitation (which has never been the case), (iii) Congress' awareness of budget analysis and evaluation, report presented to Congress (in the past parliament has not made any sort of corrective measures to the executive), (iv) CoA and CoD could have the functions and powers to conduct an impeachment.²³ In practice, however, no action of mutual cooperation is being implemented. This can be partly explained by the love-hate relationship that characterises their affiliation, as both CoD and Senate are organs suitable for audit (int.). Because it does not make use of the legal opportunities available, the interaction between the CoA and Parliament is weak and ineffective and does not tap its full potential.

The role and effectiveness of SAIs in monitoring budget support has increased to some extent in the case countries selected and has received more donor attention and support than parliament. As can be seen in the case of Ghana, the improved quality of audit reports enables donors to use these reports for their annual review and policy dialogue and to minimise the use of their own audit procedures. However, major challenges remain. Above all, the implementation and follow-up of audit findings are weak. This issue needs to be taken up more urgently by donors in the policy dialogue. Also, the fact that SAIs are not adequately and systematically informed about budget support flows and ODA data significantly limits their oversight role.

²³ The reports sent to Congress have not been evaluated and approved within the deadlines, in the last three years the legislative merely mentioned the audit report about budget execution of 2006, without making any sort of corrective measures to the executive. The legislative does not conduct in-depth public hearings concerning the audit results and it does not formulate any recommendations to the executive (see "Auto-PEFA, 2009").

5 ROLE OF CIVIL SOCIETY ACTORS

The long-term success of GBS largely depends on effective national control mechanisms and a functioning PFM. However, in many developing countries financial governance is characterised by weak institutions and the inadequate capacities of key institutions such as parliaments and SAIs (see above). In this respect, **civil society actors have an important role to play to complement national control mechanisms** (see Leiderer and Wolff 2007). Thus seen, national control mechanisms do not only depend on PFM and horizontal accountability (the checks and balances in the partner country and the capacity of state institutions to provide oversight and to audit the use of public resources), but also on mechanisms of vertical accountability (mechanisms used by citizens and non-state actors such as civil society, NGOs and the media to hold government to account). For vertical accountability to function well, citizens, media, NGOs and private actors need to act as ‘watchdogs’ over their government and actively engage in budgetary issues.

The findings of this study clearly indicate that the **improvement of national control mechanisms and the development of internal accountability rely on synergy effects deriving from an active involvement of parliament, SAIs, civil society actors and the general public**. In a country like Burkina Faso, where democratic structures are severely limited, the growing interest and involvement of CSOs and the media in budgetary issues are extremely important to create a platform for government accountability. In addition, greater transparency and an increasingly active media in Ghana have consolidated the strengthening of the SAI and the PAC. Nonetheless, the network of parliament, SAIs and civil society actors needs to be further consolidated and strengthened in all three countries studied.

Citizen’s access to information, transparency and public hearings: As can be seen in Ghana, the introduction of public meetings and hearings in the budget process can significantly strengthen citizens’ involvement and interest in budgetary issues. Furthermore, the open discussion of audit findings and the follow-up on misuse of funds has raised parliament’s reputation with the public and ultimately increased government’s accountability to its citizens. The consultant for Ghana came to the conclusion that, regarding budgetary issues, the executive fears to be questioned by the public and to a far lesser extent by parliament. In Burkina Faso and in the Dominican Republic, citizen participation in the budget process is significantly affected by very low transparency and limited access to information. In Burkina Faso, there are no public hearings and in general, very little involvement, engagement and interest of citizens in budgetary issues.²⁴ In the Dominican Republic, the law provides for holding public hearings. However, in comparison with Ghana, the general public has no interest in these hearings. This can partly be explained by the political culture in the country and the capacity of its institutions. The lack of citizen interest can also be traced back to the low reputation of parliament and the CoA and the low confidence the general public has in those institutions.

The role of civil society organisations (CSOs): In **Ghana**, so far only a relatively small number of organisations are active in budget policies. Through analyses and comments organisations such as IEA, ISSER, ISODEC or CEPA contribute to the public discussion. However, there are no institutionalised contacts between parliament and civil society and no pronounced cooperation with parliament in the field of budget policies. In addition, participation of civil society actors in particular at the local level continues to be weak. In the legislative process, organisations with special expertise are only

²⁴ This is also reflected in the Open Budget Index 2008, where Ghana scores 49 out of 100 points, whereas Burkina Faso only achieved 14 and the Dominican Republic a meagre 11 points.

occasionally invited to hearings.²⁵ There is also no continuous cooperation between GAS and civil society actors. Occasional contacts are merely coincidental. In Ghana, however, some NGOs are becoming involved in 'social audits': the SEND foundation, for example, has made a name for itself in expenditure tracking by following the spending of funds released by the HIPC debt relief on a local level. Regular reports were published that criticised waste of public funds, mismanagement and corruption.

Burkina Faso has an active civil society that is increasingly involved in issues of budgetary oversight. Organisations such as RENLAC, CODDE, REFAE, SPONG and CGD are involved in activities such as trainings, advocacy and information dissemination and are increasingly raising awareness on issues like transparency and gender budgeting (int.). However the single and main CSO with a comparatively decent capacity for budget analysis is the Centre d'Information de Formation et d'Etudes sur le Budget (CIFWOEB). CIFWOEB and CGD representatives noted the need for access to information on the budget. Information that they do obtain is often aggregated. In addition, in their meetings with the government and donors, the documents examined are often provided only 24 hours before the meeting. This makes it impossible for them to review the texts and offer reasoned and optimal input (int.). However, parliamentarians interviewed were not very enthusiastic about the role of civil society in terms of providing added value to NA budget oversight and wondered what the role of the NA, as the peoples' representative, would be if CSOs were given the decisive role they desired on such issues (int.). Regarding the audit institutions, CSOs have embraced and acknowledged the approach of the CoA but are more circumspect about other internal control organs. However, CSOs are now invited to participate in the tripartite operating schema of ARMP (the state, the private sector and civil society) and this has been well received (int.).

In the Dominican Republic, CSOs are increasingly becoming more interested in transparency and budgetary oversight. The Foro Ciudadano acts as the CSO platform in charge of these issues, however it lacks coordination and access to a wider public. A transparent and clear language to communicate effectively with the citizenship is needed, although great efforts and more participatory methods are being implemented. As a matter of internal transparency, the Legislative Information System (created in 2006) publishes all documents related to the budget. They are available to civil society at the recently created Access to Information Centre. Also, a centre of representation of civil society at the CoD was created in 2007 where activities are coordinated by the PDU and ruled by a consultative council with representation by major CSOs. It acts as a platform for the discussion of ideas and exchange of information and must be considered a major step forward in enabling civil society participation. In addition, the CoA development strategy was designed with the collaboration of CSOs (Participación Ciudadana and Centro Montalvo) in consultative processes. In this same vein, the CoA will launch an Office of Information Access to increase one of its main goals, transparency. If executed well, this will be a huge step forward, given the low transparency and limited access to information within the budget process in the Dominican Republic.

The role of media: In **Burkina Faso**, the media is very active in the area of facilitating public access to vital information. Papers such as *l'observateur* and *le pays* are always quick to provide analysis of important CoA reports, usually including details of mismanagement of public funds. This wide media coverage has had psychological and didactic fallouts, the population is now aware that CoA recommendations have hitherto not been followed by judicial sanctions (int.). In the **Dominican Republic**, media is contributing to awareness raising and visibility, uncovering corruption scandals and

²⁵ In 2007/2008, at the initiative of the Ministry of Finance, for the first time pre-budget consultations with civil society representatives were established.

criticizing patronage and partisanship issues. However, their criticism is rather destructive and very unsystematic. In **Ghana**, a diverse and to a great extent independent media is contributing to the creation of a critical, political public and covers debates on the budget and in particular the public hearings of the PAC.

Actors of vertical accountability are crucial for budget support to succeed. The improvement of PFM cannot be achieved by the isolated strengthening of institutions. The interplay of these institutions and the important role of civil society actors must gain more weight in the debate on strengthening national control mechanisms. In addition, donors should actively support mechanisms of social accountability to increase the accountability of government not only to parliament, but most importantly to its citizens.²⁶

6 EXAMINATION OF NATIONAL CONTROL MECHANISMS BY DONORS

The **EC Guidelines on the Programming, Design & Management of General Budget Support** clearly define three eligibility criteria for providing budget support to developing countries, to wit, (i) a well defined national policy and strategy is in place or under implementation, (ii) a stability-oriented macroeconomic policy is in place or under implementation, (iii) a credible and relevant programme to improve public financial management is in place or under implementation (see EC 2007: 29-30). In addition, the Guidelines note that the EC uses a dynamic interpretation of the eligibility criteria, leading to a case-by-case approach without absolute ‘thresholds’ and no certain static minimum conditions for all three eligibility criteria (see EC 2007: 29-31). The third criteria targeting PFM is of particular interest for this study.²⁷ The EC Guidelines specify that the assessment of the quality of the PFM system should be based on the ‘Public Financial Management –Performance Measurement Framework’ (PFM-PFM) of the Public Expenditure and Financial Accountability (PEFA)²⁸ initiative, as the EC’s favoured tool of choice. For the purpose of this study, section F of the Measurement Framework on ‘External scrutiny and audit’ is particularly relevant. Additionally, it is stated that an assessment of the PFM reform process should be carried out.²⁹ The key question in this chapter deals with the extent to which decisions by the country’s donors to initiate, or continue, budget support programmes are influenced by the

²⁶ In Uganda, for example, the introduction of performance scorecards for MPs, measuring their attendance and participation in parliament is a useful tool to hold parliamentarians accountable and to inform citizens about their performance (for further information see <http://news.bbc.co.uk/2/hi/africa/8072437.stm>). In Kenya, social audits where citizens track public expenditure, show how public engagement in the budget process can strengthen oversight and lead to improved public service delivery (see also <http://openbudgetindex.org/files/ImpactMUHURI1.pdf>).

²⁷ The Guidelines state “PFM is concerned with the planning, implementing, reporting and auditing of public money as well as assessing the extent to which plans are fulfilled, and whether a budget is comprehensive and transparently prepared and implemented” (see EC 2007: 51).

²⁸ PEFA is a partnership between the World Bank, the European Commission, the UK’s Department for International Development, the Swiss State Secretariat for Economic Affairs, the French Ministry of Foreign Affairs, the Royal Norwegian Ministry of Foreign Affairs, and the International Monetary Fund and aims to support integrated and harmonised approaches to assessment and reform in the field of public expenditure, procurement and financial accountability (see www.pefa.org).

²⁹ The assessment of PFM reform should be based on (i) evidence of the national authorities’ political will, commitment and endeavours to improve PFM performance, (ii) the relevance and degree of implementation of the reform strategy (and related action plan); (iii) the relevance and degree of coordination and implementation of the capacity development programmes that may be financed by donors to support the reform of public financial management, (iv) such an assessment will be based on the PFM reform reviews organised by the governments (for example in the framework of the annual reviews of the implementation of poverty reduction strategies).

examination of national control mechanisms. The analysis draws on the importance donors are attaching to PFM assessment and reform, particularly the assessment of parliament and the SAI.

Summing up, **in all three case countries** donor focus on PFM and PFM reform is clear. This is reflected by the fact that, in the three countries selected, indicators of the Performance Assessment Frameworks (PAFs)³⁰ targeting the improvement of PFM take centre stage. Having said this, **it is also obvious that within PFM the budgetary oversight role of parliament is clearly neglected in the PAFs of all three case countries.** In addition, in all countries studied, only Burkina Faso includes the role of the SAI in its PAF. A PEFA assessment was conducted in all three countries at some stage during the budget support process. However, in none of the countries studied was such an assessment made prior to the introduction of budget support. In addition, the fact that parliaments and SAIs scored badly did not seem to have any influence on the decision to provide or deny budget support. The EC justifies this by stressing the dynamic approach, the importance of the reform agenda and the expectation that budget support will strengthen these institutions. Also, parliaments in the countries studied do not systematically take part in the policy dialogue or the annual review of budget support, the main reasons given being (i) that this is the mandate of the executive and (ii) the limited capacity of parliament (their closeness to the executive as well as technical capacities) undermines the usefulness of such an inclusion.

Overall, the EC assessment of national control mechanisms is deficient. Already in the guidelines, the definition given falls short of including parliament and the SAI. The EC Guidelines state that: "Internal control systems deal with every key aspect of PFM: management of the chain of expenditures, personnel, accounting and reporting, assets ..." (EC 2007: 68). A holistic assessment of parliamentary or SAI performance is further restrained by the fact that there is to date no agreed upon framework to assess parliamentary performance, since neither donors nor parliament itself have as yet put the required effort into establishing parliamentary performance assessment frameworks or into collecting data on their performance. There is no assessment of actors of vertical accountability, which reflects the neglect of control mechanisms outside horizontal accountability. In addition, donor focus is largely on government institutions and, increasingly, the SAI, whereas parliament and civil society actors are insufficiently assessed or taken account of.

In all three country cases, **the assessment of the PFM and the PFM reform is a high priority for donors before budget support is agreed on.** In **Ghana**, from the very beginning, a functional PFM system was an important precondition for budget aid. Reforms leading to more transparency and accountability in PFM began as early as the 1990s. Donors pushed these reforms, especially by means of the International Monetary Fund (IMF) and World Bank (WB) Structural Adjustment Programmes, and from 2000 onwards by the conditions attached to debt relief within the Heavily Indebted Poor Countries (HIPC) initiative and the IMF's Poverty Reduction and Growth Facility (PRFG) programmes. Therefore, when in 2003 Ghana for the first time agreed with donors on budget support for 2004, the groundwork had already been laid for a functional PFM. Nevertheless, progress in the PFM system continues to be an important trigger for the release of budget support (int.). In addition, according to donor representatives, the new government appears to have great interest in qualifying the PFM system. The Multi Donor Budget Support (MDBS) PFM committee is now working assiduously and has become the most important forum for dialogue between donors and the Ministry of Finance. Under the old government, improving PFM was a concern of the donors and perceived as conditionality by the

³⁰ The framework of GBS conditionality is usually agreed upon in a so called 'policy dialogue' between donors and the executive where a Performance Assessment Framework (PAF) is settled on to monitor partner country performance.

government. The new government is showing much more genuine interest and has developed ownership of the issue. In **Burkina Faso**, within the framework of efforts to attain the goals of the Poverty Reduction Strategy Paper (PRSP), the international donor partners and the government also commenced efforts to strengthen PFM and PFM reform took centre stage in the policy dialogue. In the case of the **Dominican Republic**, a pro-governance and transparency legal and institutional framework, along with a continuing PFM reform process are the main national control mechanisms that donors assess in order to continue budget support. This assessment looks at the macro perspective rather than at a detailed analysis of institutional and budget performance. PFM is, since 1996, in a profound reform process and is a top donor priority (as set up in their respective country strategies).³¹ International donors such as the EC, IMF, Inter-American Development Bank (IDB), WB, UNDP and others have supported these reforms, as part of their conditions attached to their cooperation and policy dialogue with the partner country.

The strong focus on PFM is reflected in the Performance Assessment Frameworks (PAF) of Ghana and Burkina Faso. The **Dominican Republic** does not have a PAF in place yet, however, a framework for GBS provision called 'Financial Agreement of GBS for poverty reduction' was agreed on in 2005. In the Progress Assessment Framework of **Ghana**, PFM indicators make up the largest part. In the 2009-2011 PAF the agreements on "Improving Governance and Public Sector Management" form one of three groups of goals and conditions. Amongst others, the goals for the PFM target: (i) efficient and reliable public expenditure management, (ii) strengthen Revenue Collection and Transparency and (iii) bridge gender inequality gaps in policy implementation. In addition, the PAF agreements are to be a contributing factor in transparently including the expected revenues and spending from the oil finds in Ghana (end of 2010 onwards). According to the PAF, a Petroleum Revenue Management Act and an Extractive Industries Transparency (EITI) Governance Framework are to help improve financial management in this sector. In **Burkina Faso**, PFM is an important pillar in the PAF indicators and goals. The promotion of good governance is one of four pillars in the PAF, whereby economic, political and administrative governance take centre stage. The specific targets in terms of economic governance include: (i) greater decentralisation of the services of DGMP; (ii) strengthened transparency in public finance (including follow up of PEFA review proposals on the salience to be attached to the role of the NA and CoA in oversight); (iii) a re-evaluation of the national efforts to fight corruption that is based on consensus with other social actors; (iv) fortification of the control role of the Direction Générale des Contrôles Financier (DGCF) and (v) the creation of the finance and budget discipline chamber and commencement of prosecutions in the CoA. In the **Dominican Republic**, the first four indicators of the EC "Financial Agreement of GBS in poverty reduction 2005", are intended to measure PFM performance: (i) strategic planning and the implementation of the strategy for ethics, prevention and sanction of corruption by the government accounting, (ii) legal reform, including the introduction of the organic budget law, (iii) procurement and (iv) public service reform, with 15% weight each (60% in total).

In all case countries a PEFA was conducted at some point in the budget support process. In **Burkina Faso**, the first PEFA was conducted in 2007; in 2010 a second review was held. The oversight role of the NA scored better (B and C) than the CoA (D+) mainly due to the weak follow-up of recommendations. As a response, one of the main recommendations of the PEFA review of 2010 was that follow up on reports by external control bodies such as the NA and the CoA should improve significantly. In the **Dominican Republic**, the European Commission Delegation is prioritising the

³¹ The EC's 10th EDF main focal sector is "governance and support for economic and institutional reforms", with an allocation of EUR 61.7 million, while the WB's new CPS strategic objective III is to "enhance quality of public expenditure and institutional development". IDB, AECID, USAID, AFD, GTZ, JICA, UNDP, UNICEF are other donors supporting governance, and institutional reforms with a primary focus on PFM.

analysis of the PFM using PEFA. The first assessment was conducted in 2007 by external consultants and an auto-PEFA was conducted by Dominican Republic government officials in 2009. Key indicators such as legislative oversight (ex ante and ex post), internal audits and the performance of the CoA all scored extremely low in the auto-PEFA (D). In **Ghana**, a first PEFA was conducted in 2006 and a second in 2009. The latest assessments included good scores for the SAI (C+, with the major weakness being follow-up on audit recommendations). However, the consultant for Ghana does not agree with the score for parliament (D+) which, according to him, does not reflect the actual situation.

The assessment of PFM on the basis of PEFA was not conducted prior to the decision on whether to provide GBS to a country or not. In addition, the low scores of parliament and the SAI in budget oversight does not seem to have had any impact on donors' decision to provide or deny budget support. The EC guidelines state that there is no automatic link between the PEFA assessment scores and eligibility for budget support. This can be traced back to the dynamic interpretation of eligibility criteria,³² the emphasis placed on the political will of governments to reform PFM systems and to the design and implementation of the reforms. In addition, it is expected that budget support will ultimately strengthen these institutions. In the Cotonou Agreement, on the other hand, Article 61 (2) states that "direct budgetary assistance [...] shall be granted where (a) public expenditure management is sufficiently transparent, accountable, and effective." However the dynamic approach of eligibility criteria focuses more on the direction of change and reform than on actual transparency, accountability and effectiveness. The assessment of and decisions on whether PFM systems are too weak to provide budget support are not easily accessible and rather done on a case-by-case basis.

While PEFA has gained more importance in the assessment of PFM, the most important policy instrument to guide PFM reform remains the policy dialogue and the PAF. However, with regard to the budgetary oversight role of parliament and SAIs, the integration of PEFA assessments in the PAF is not yet systematic. In the countries studied, the only exception was **Burkina Faso**, where the main recommendation of PEFA, to strengthen the follow-up of CoA recommendations, has been taken up by donors and included in the PAF. In addition, PEFA's focus is limited to technical aspects of PFM. The oversight role of parliaments is only considered in two scores and the role of the SAI in one score. This assessment falls short of analysing the institutional capacity, the political and historical situation of parliament or the SAI in the budget process, and cannot be regarded as a sufficient assessment and monitoring of the capacity of these institutions.

The European Court of Auditors has raised similar concerns, albeit with a sharper focus on PFM and to a lesser extent on the role of parliaments or SAIs. Their criticism is on the need to further formalise and structure the assessment of PFM and on the as yet insufficient monitoring of the progress made in PFM (annual reviews). For this reason, **the EC is currently revising its guidelines and developing a green paper on budget support**, expected to be released in the second half of this year.

Fiduciary risk assessment: Since GBS funding is fungible and national control mechanisms often ineffective, fiduciary risk assessment is crucial to identify and evaluate the risk of corruption and misuse of aid. The EC Guidelines state that 'the Commission manages the risks associated with budget support by having conditions associated with the preparation and implementation of budget support programmes' (EC 2007: 22). Thus, the conditionality applied and the use of a fixed and a variable tranche are key aspects of the EC risk management. Nonetheless, it is striking that in the EC Guidelines

³² The Guidelines state that even if a PFM system is regarded as weak, this does not automatically exclude a beneficiary country from receiving budget support. Indeed, one of the objectives of budget support is to support the achievement of the goals of national policy and strategy by strengthening the PFM system through which such a policy and strategy is implemented (see EC 2007: 31).

neither 'fiduciary risk' nor 'fiduciary risk assessment' is directly addressed and its management outlined. In interviews it was stated that the EC treats the word 'fiduciary risk' as a taboo, since – officially – there are no fiduciary risks associated with budget support. In practice however, it was stated that the fiduciary risk management of the EC is as comprehensive as that of DFID, for example.

DFID requires country teams to perform Fiduciary Risk Assessments³³ (FRA) prior to starting budget support programmes in order to assess and track changes in fiduciary risk (see NAO 2008). DFID strongly supports using PEFA Framework evaluations to inform fiduciary risk assessments. It stresses, however, that FRAs and PEFA Framework evaluations are similar but different and that a PEFA Framework evaluation cannot simply replace the FRA. The major difference cited is: "The PEFA Framework is an indicator based evaluation which provides information about the current strengths and weaknesses of the national PFMA system; the FRA uses this information to inform judgements about the levels of risk in national PFM systems and how risks are being managed" (DFID 2008: 11). The FRA is a more in-depth assessment of fiduciary risks which goes beyond the technical aspects of PEFA, taking into account the historical, governmental and institutional context of a partner country's PFM (see DFID 2008). The cautious treatment of the EC regarding 'fiduciary risks' stands in stark contrast to the outspoken and direct approach of DFID. Nonetheless, findings from the case countries indicate that the EC country delegation in the **Dominican Republic** used a Fiduciary Evaluation Report³⁴ by the IDB and the WB as the basis for the EC assessment of fiduciary risks prior to making decisions on initiating or continuing budget support (int.). This report assesses national control mechanisms: executive, legislative and judiciary capacities as well as the control environment, the regulatory framework, the management of public expenditure and the role of civil society. Results of these evaluations have brought donors to actively engage in PFM reforms, primarily focusing on the executive's institutions rather than on control institutions such as the Comptroller General, the Congress or the CoA.

The continuation of GBS to Ghana and Burkina Faso has not yet faced any serious debate. In **Ghana**, the good financial balance of the past years, progress in the social sector, stable political conditions and not least progress in the development of the PFM system have apparently convinced donors that they can gradually increase budget support. The consultant concluded that in the end, the main barometer for continued disbursement of GBS is the good performance of macroeconomic indicators and the extent to which the government is implementing PFM reform. Overall, good macroeconomic performance is assessed as the most important condition for donors (int.). In **Burkina Faso**, all donors interviewed agreed on the importance of macroeconomic stability as assessed by the IMF (int.). Keeping in mind that the national budget relies heavily on GBS, a reduction or suspension of GBS would pose a threat to macroeconomic stability in the country. Moreover, the Commission's main criterion for its 2010 GBS is that government complies with the stipulations of the MDG contract, especially in the area of health (int.). In the **Dominican Republic**, since the recovery from the 2003/2004 crisis, macroeconomic indicators such as gross domestic product (GDP) growth, inflation, debt, fiscal balances, international reserves ratios or foreign direct investment (FDI) have been a guarantee of donor ODA disbursements to the Dominican Republic. The EC, however, stopped the disbursement of budget support in 2008, officially due to insufficient attention of the government to the macroeconomic situation. Judging from the interviews, it is likely that the attention the government was paying to EC conditions and disbursement criteria was not satisfying. However, the policy dialogue and the approach

³³ DFID's approach to managing fiduciary risk is based on three mutually reinforcing principles: (i) Understanding the fiduciary risk environment, (ii) Mitigating risks to the proper use of funds and (iii) Monitoring performance on an on-going basis (see DFID 2008: 5).

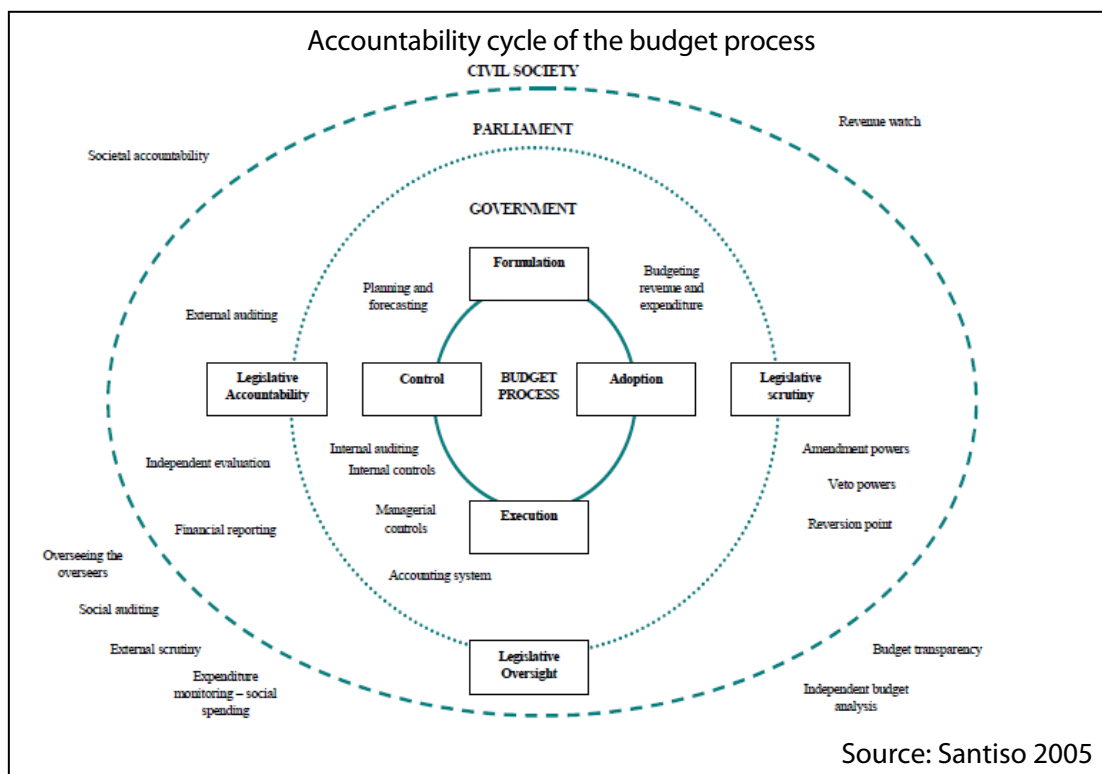
³⁴ *Dominican Republic Country Fiduciary Assessment*. WB and IDB, 2005.

of the government of the Dominican Republic have since improved and were assessed positively by the EC Delegation (int.).

The **disbursement criteria** donors are applying for GBS also vary to some extent depending on the importance placed on the different indicators in the PAF. Budget support is increasingly contingent on a stable macroeconomic framework as determined by the IMF and the focus on a decent PFM system is clear (int). In addition, the Danish International Development Agency (DANIDA), for instance, includes anti-corruption efforts, parliamentary oversight of the budget process, transparent public procurement rules and the presence of independent national audit officers (int.) and goes beyond the rather narrow focus of the EC (see above).

While it is true that there is a strong donor focus on PFM reform in all countries studied, the **extent to which donors examine national control mechanisms prior to providing budget support shows some limitations:**

- By looking at PFM, the EC focuses mainly on governmental institutions and on technical and administrative aspects of PFM and less on the accountability cycles of the budgetary process as a whole. Whereas SAIs have attracted more donor attention, the oversight role of parliaments is acknowledged by donors (int.) but has been and still is neglected and sidelined.³⁵ Relying solely on PEFA for the assessment of national control mechanisms will provide a very limited perspective on the institutional, political and historical capacities and constraints of parliaments. Therefore, donor’s assessment of national control mechanisms falls short of conducting in-depth assessments of parliamentary performance.



³⁵ Mfunwa states that: “Historically, many donors have neglected parliaments and have shied away from strengthening parliament’s institutional capacities, as this was or still is considered too sensitive and too political. The capacity development of parliaments was considered too close too political party development and ranked lowest in donor’s priorities. Instead, most funding has gone to civil society organisations” (but also without clear focus on budgetary issues) (see Mfunwa 2006: 11).

- Overall, the PAFs fall short of the systematic integration of criteria targeting the oversight role of parliament and the SAI. In the PAFs of the Dominican Republic and Ghana, not a single indicator refers to the role of parliament or the SAI in the budget process. The PAF in Ghana only mentions parliament at three points concerning the formal adoption of laws developed by the government. In the Dominican Republic there are no indicators that directly refer to the role of parliament or the CoA. Only the PAF of Burkina Faso includes budgetary oversight by calling for the creation of a finance and budget discipline chamber and commencement of prosecutions in the CoA. The limited space and importance given to parliament and the SAI as regards budgetary oversight does not allow for any significant institutional strengthening through budget support conditionality.
- In all countries studied, parliaments are not systematically involved in the policy dialogue or in the annual review of budget support:
 - In Ghana, the international development partners do not place any particular value on involving parliament in the policy dialogue. When, in 2006, DFID suggested including parliament more closely in the MDDBS process, the executive rejected the suggestion – and the donors readily accepted this. Various donor representatives – among them the European Commission – explicitly stated that their partner was the executive and whether or not it involved the parliament in policy processes was strictly its own business. Donors do, however, emphasise that the formal procedures of budget policies should be adhered to, such as adoption of the budget by the parliament in due form and the discussion of AG reports (int.). Since these are issues of form rather than quality, no problems have arisen so far concerning this matter.
 - In Burkina Faso, there was a strong sense of reticence and reservation on the part of donors concerning a suggestion by the consultant that the NA be more involved in the policy dialogue (int.). It could be worthwhile for COMFIB members of the NA to be consulted prior to negotiations. However, for understandable reasons related to the NA's capacity deficiencies and the issue of CDP's dominance within the NA, most donors prefer to maintain the dialogue with the government as main interlocutor for Burkina Faso. Greater involvement of the NA at the negotiation stage would simply be a cosmetic gloss whereby the positions of the government are rubber stamped. Further factors that speak against involvement are (i) NA members are technically ill equipped to influence the talks, (ii) it is not the mandate of the NA to negotiate on behalf of or alongside the government and importantly (iii) donors tend to be more reticent about the capacities and interests of NA members.³⁶
 - In the Dominican Republic, above all, donor focus and coordination emphasises collaboration with executive institutions, while joint cooperation with the parliament and the CoA is weak. Thus donors are not attaching sufficient importance to parliament's participation in the policy dialogue. The causes cited in interviews include, on the one hand, the damaged reputation of both institutions in exercising their budget monitoring functions and, on the other hand, the limited responsiveness or capacity of

³⁶ During an interview with the Commission in Brussels it was learned that a representative of parliament was invited as an 'observer' to the policy dialogue. Given the fact that none of the parliamentarians interviewed were aware of such an invitation, communication in this area seems to be limited.

such institutions to cooperate with donors in this area, or simply the limited capacity of donors to hold the parliament accountable, as it is a time-consuming activity (int.).

- As stated in the methodology, for domestic accountability to improve in the long run, actors of vertical accountability must be included in the analysis of PFM. To rely solely on technical aspects of PFM will not necessarily improve domestic accountability. The EC Guidelines on the Programming, Design & Management of General Budget Support use an insufficient definition of internal control mechanisms: “Internal control systems deal with every key aspect of PFM: management of the chain of expenditures, personnel, accounting and reporting, assets...” (EC 2007: 68). Parliaments or SAIs are not explicitly or sufficiently taken into account. In addition, the importance of vertical accountability and the role of civil society actors are not taken into account in a systematic and formalised manner. This leads to a situation in which parliaments, SAIs and actors of vertical accountability (including parliaments) are not adequately assessed before GBS is agreed upon.

The assessment of national control mechanisms by donors should integrate the performance and capacities of parliament and other agents of vertical accountability more systematically and holistically. Based on such an assessment, parliamentary performance and associated risks could be better monitored and mitigated. The political and institutional context in which they operate and the key characteristics of constraints are not adequately assessed using PEFA.

7 EXTENT AND EFFECTIVENESS OF BUDGET SUPPORT CONDITIONALITY (OR ACCOMPANYING MEASURES) IN INFLUENCING AND IMPROVING NATIONAL CONTROL MECHANISMS

The **EC Guidelines**: As stated in the EC Guidelines on the Programming, Design & Management of General Budget Support, “the establishment of the performance monitoring system and the criteria for disbursement is at the heart of a budget support operation” (EC 2007: 62). The EC distinguishes between general conditions which are related to the three eligibility criteria (with possible additional general conditions, for example, the availability of documents) and specific conditions which are normally related to performance criteria and indicators established in the focal areas of the GBS programme (result/outcome oriented conditions).³⁷ Regarding national control mechanisms, the EC expects budget support and its conditionality, amongst other things, to (i) enhance coherence in planning and resource allocation, (ii) give greater scope for local parliamentary scrutiny, (iii) give a stake in improving PFM – for the whole budget and (iv) strengthen domestic accountability (see EC 2005). This chapter will, in a first step, assess the impact and effectiveness of GBS conditionality in improving national control mechanisms. In a second step, accompanying measures taken by donors to improve national control mechanisms will be listed and assessed.

In all countries studied, the conditionality of GBS has been used to address shortcomings in PFM. The actual impact and effectiveness of this conditionality, however, vary significantly depending on the country context. The impact of budget support conditionality is likely to be higher in aid-dependent countries where GBS takes up a significant part of the national budget. The EC and other donors have

³⁷ The EC furthermore distinguishes between fixed tranches, with a fixed value, “which are either disbursed in full (if all conditions are met) or not at all”, and variable tranches, which have a maximum value and are disbursed according to the performance achieved in relation to pre-specified targets or designated performance criteria and indicators” (see EC 2007: 16/17).

been engaged to some extent in providing capacity development for parliament, but more so in providing assistance for SAIs, which has significantly strengthened their performance. In addition, in all countries studied, the main aim of GBS conditionality remains improving PFM. The role and effectiveness of parliament and the SAI in the budget process is not sufficiently covered in the conditionality of countries studied (see Chapter 6). Therefore, the impact GBS had on domestic accountability is considerably weaker and is still the weakest link in PFM³⁸ for two main reasons: (i) donor conditionality and accompanying measures still focus largely on administrative and technical aspects of PFM, while strengthening of parliament, independent media and civil society only plays a marginal role and (ii) there are no short-term solutions to improving domestic accountability and the shift to GBS will not automatically reinforce domestic accountability without real political and democratic change which allows actors and institutions to assume new roles.

7.1 Extent and effectiveness of budget support conditionality

In **Ghana**, the increase of budget support has been used by donors to significantly increase pressure for reform in the area of PFM. The PFM is discussed in detail in the MDDBS annual review and improvements agreed upon are under regular scrutiny. The impact of conditionality on the public finance sector is showing a mixed balance. Observers have noted progress in the increase of public revenue (esp. taxes), in debt management, in the audit system and in increasing transparency in public procurement (Quist et al 2010: 33). The continued slow implementation of an Integrated Financial Management Information System (IFMIS) (see chapter 7.2) is given as an example for less successful pressure through conditionality (int.). After Ghana had to request additional funds from IMF and World Bank in 2008/2009, due to the international economic crisis and home-grown financial difficulties, the government showed its willingness to make further concessions. Among other things, the regular publication of real revenues and expenditures was promised (and the promise fulfilled). The efficiency of measures on a technical-administrative level, for example strengthening the GAS, is considerable. Moreover, the AG reports are scrutinised closely and discussed by international donors and individual aspects are brought into the policy dialogue with the government. Improvements in the transparency of financial flows (through the publication of data on the Ministry of Finance and Economic Planning homepage) create increasing opportunities for qualified participation of political institutions and actors in political debates (which so far, however, are rarely taken). This relative success can be attributed to the quality of the policy dialogue and the fact that the new government of Ghana takes PFM reform seriously and has developed ownership.³⁹ In the case of Ghana, it can be concluded that the PFM system in general and domestic accountability mechanisms specifically have been improved over the last six to seven years since the introduction of budget support. This confirms the potential complementarity of external and internal accountability. However, internal accountability mechanisms have not yet replaced the control mechanisms of international development partners.

In **Burkina Faso**, the CGAP Performance Assessment Matrix (PAM) (CGAP-CSLP, 2008) shows an **increasing interest on the part of the donors in improving the performance of internal control instruments** and presents a picture of a possible correlation between GBS conditionality and the improvement of national control mechanisms. Taking 2008 as the base year, the table shows the results

³⁸ See also IDD and Associates (2006): *Evaluation of General Budget Support: Synthesis Report*, OECD/DAC, University of Birmingham.

³⁹ From the government's perspective, programme-based ODA – especially budget support – is the preferred mode of aid. "There is no doubt that the MDDBS mechanism is a significant improvement in aid delivery. It has the potential to affect the pace and nature of institutional reforms as well as the dialogue between the Government of Ghana and DPs on central reform issues" (Mrs Veronica Sackey, Ministry of Finance, presentation at the high-level-meeting October 2009).

of the base year and compares them with the desired goals for the years 2009 (assessments for 2009 are still being collated and compiled), 2010 and 2011. Although one cannot attribute all signs of progress to the CGAP conditions, the partners have pursued their joint goals in an atmosphere of trust. It is too early, at this stage, to make a statement regarding the fulfilment of relevant conditions, by 2011 the impact GBS has had on improving PFM will be far more evidence-based. Nevertheless, giving GBS has certainly germinated a desire to create more institutions that pay attention to government accountability. In any event, there is a strong perception that the approach of donors in the use of GBS has fortified PFM (int.). This is confirmed by findings of the OECD budget support evaluation 2006, which stated that the policy dialogue between Burkina Faso and international donor partners has strengthened PFM (OECD, 2006: 3). According to the PEFA Assessment, PFM in Burkina Faso has particularly improved in regards to total income deviations as compared to the original budget and the transparency of taxpayer obligations and liabilities (see PEFA 2007, 2010). This impact is considerably weaker in regards to domestic accountability; judging from the interviews GBS has not had a direct cause-effect impact on government accountability to the citizens especially because of the ruling party's influence and dominance in the political, administrative and economic mechanisms of power (int.). Moreover, the lack of real democratic change will remain a significant constraint on the effective impact of GBS on the improvement of domestic accountability in the near future.

The situation in the **Dominican Republic** differs to some extent. **Unlike many African aid-dependent countries, donors have little room to influence budgetary composition in the Dominican Republic.** Given the income level and the high capacity of the economy to generate the foreign exchange required to finance private and public investments, the government of the Dominican Republic is relatively independent of donor funding and the policy dialogue reflects this non-dependence. The most important change in national control mechanisms clearly was the constitutional reform. However this was a rather endogenous process led by the President of the Dominican Republic and was not a result of donor intervention or conditionality. Nevertheless, budget support conditionality clearly helps stabilise the country's macroeconomic performance in the form of liquidity directly geared to the national treasury. Within this limited scope, donor focus on PFM reform is clear. The reform process⁴⁰ began in 1996 with the objective of increasing transparency and accountability of the Dominican Republic's government and its institutions. The process was led by the government of the Dominican Republic and strongly pushed by donors such as the IMF, IDB, WB, EC, UNDP and others who have supported some of these reforms as part of their conditions attached to cooperation and the policy dialogue with the partner country. In 2006 the reform coordination bureau was introduced as a donor mechanism to monitor the reform process in cooperation with the executive. In this context, donor budget support and conditionality are seen as very positive in the overall context of improving transparency and accountability in the budget process. Donors are strongly supporting PFM reforms in the executive's institutions, above all the Secretary of Economy, Planning and Development (SEPD) and other departments of the Secretary of Finance. Donors' mistrust of national control mechanisms such as the Congress, the CoA or the Comptroller General makes them concentrate more on their own control mechanisms such as performance indicators displayed across sectoral programmes, while hoping that the support given to PFM reform is a long-term investment that will produce the outcomes expected with a more transparent and accountable government (int.) The sum of donors' cooperation actions (technical and financial) is seen as a positive contribution to improve PFM by both government stakeholders and civil society (int.). The most visible success is the gradual improvement of transparency in public spending (int.). However, budget support in the Dominican Republic is still a new instrument,

⁴⁰ For more detailed information and accurate data on the PFM reform process, see "Auto-PEFA", 2009.

the effects of budget support as a concrete and single instrument of aid delivery with targeted and measurable results is still ambiguous and insignificant.

7.2 Accompanying measures

The EC Guidelines also provide for ‘complementary support to the budget support operation’ (6.4). For the purpose of this study two aspects are significantly relevant. First it is stated that “it has to be recognised that achieving sustainable results in the area of institutional and capacity development is amongst one of the most difficult aspects in development cooperation, [...] it must be seen as a country-led, endogenous and long-term process. Donor support to such processes is only likely to produce significant and sustainable results as long as there is sufficient domestic political leadership and commitment to change.” Second, reference is made to the possibility that, “when the upgrading of internal control systems is on the PFM reform agenda and the partner country expresses their need to be supported in this area, the EC can provide finance for an audit limited to an analysis of the internal control systems ...” (EC 2007: 68). Within this audit, special reference is made to the important role of SAIs, however, no reference is made to parliament. Parliament is only mentioned once, stating that the examination of PFM weaknesses is likely to lead to development of actions in the area of PFM and related capacity development needs, which could touch on Ministry of Finance, sector ministries, SAIs or parliament (see EC 2007: 69). The role of parliament, however, is crucial for all aspects of national control mechanisms, PFM, vertical and horizontal accountability and is clearly neglected in the EC Guidelines.

Overall, donors have supported strengthening domestic accountability mechanisms over the last years. This has led to some improvements within the constitutional limitations of the case countries. The introduction of public hearings in Ghana, for example, is an outstanding example – this low cost measure significantly strengthened public awareness and the accountability of the government to its citizens. Also, accompanying measures to strengthen SAIs have been particularly successful. However, **donor interventions are still focused on administrative and technical aspects of accountability while strengthening parliament, independent media and civil society plays only a marginal and insufficient role.** The medium-term and long-term strengthening of actors outside the executive has to be given much greater importance to create stronger checks and balances and effective domestic accountability.

In **Ghana**, international development partners support the pressure for reform with a number of accompanying development cooperation measures. One of the most important co-financed projects to improve PFM is the introduction of an Integrated Financial Management Information Systems (IFMIS), a computer-based information system for the collection and processing of all data on financial flows. Such a system has been under construction for years, though to date it is not fully operational in all ministries (2009 ERPFM vol. 1, p. 61f.; PEFA 2010, p. 33f.). As already mentioned, the Ghana Audit Service (GAS) is strongly supported,⁴¹ this support appears to have increasing impact. The impact of parliamentary support measures by donors is moderate and hardly measurable. An exception is the financial support for public PAC hearings – this low cost measure is extremely effective for both institutional strengthening of parliament and promoting domestic accountability. In the past, various donors have also supported the Ghanaian parliament, though more in the sense of general capacity building, not directly in the context of budget policies or budget support. The Canadian organisation Parliamentary Centre (PC), however, has for years been undertaking a number of measures, financed by

various donors, to strengthen the capacities of actors involved in the parliamentary budget process. Among others, PC organises a “Post-budget-workshop” with MPs (post = after budget day, but before discussions in committees begin). This has been done for four to five years now. Almost half of all MPs participated in 2009. The PC has also repeatedly financed professional training programmes for the PAC, e.g. through workshops on various themes and also through financing study tours on which MPs visit parliaments in Europe, North America or Africa (Uganda, South Africa). Furthermore, the PC has, for example, conducted trainings on budget policies for journalists. One year ago, the German GTZ started supporting the parliament in a more systematic manner. For one, support aims at strengthening the PAC.⁴² However, in most cases, these approaches remain on a technical administrative level. In the EC country strategy paper (CSP) for 2007-2011, in the area of governance, the CSP states that it will provide support for civil society organisations that contribute to the ‘watchdog’ and social accountability role, including support for independent media and scheduled approximately 2% of the total programme for strengthening civil society actors. The CSP further states that it will support the capacity of non-executive governance institutions and parliament in order to strengthen their oversight role and plans to provide 1% of the total programme for this field. This approach should receive due recognition as it is clearly a step in the right direction. In view of the significant weaknesses of parliament and the SAI, the urgent need for capacity development and the fact that the success of GBS depends largely on these control institutions it would most probably make sense to increase this amount.

In **Burkina Faso**, the NA of Burkina Faso is involved in a project to develop the oversight capacities of parliamentarians. The project started in 2004 and is supported by the African Development Bank (AfDB), the African Capacity Building Foundation (ACBF), UNDP and importantly, the National Assembly of Burkina Faso which is contributing its own funds. Known as ‘the Plan Stratégique de Développement du Parlement’ (PSDP), it will be operational for a period of ten years (int.). The PSDP has five pillars, to wit, (i) production of laws; (ii) governmental control; (iii) public relations; (iv) parliamentary administration and (v) gender issues.⁴³ A midterm review and report for the PSDP was published in January 2010. One of the issues emanating from the execution of the plan has been the need for the donors involved to harmonise their auditing procedures (int.). The PSDP has many workable elements and tools that have had, so far, a positive effect on the quality of Parliamentary control. Its implementation should be broadened and the results of its midterm evaluation should be widely disseminated to the public and CSOs through the media. In addition, the ARMP, the main regulator for public procurement, was created

⁴¹ The EC funded a Ghana Audit Service Project. This project involved training in IT and financial audits, performance audit and planning, budgeting and management information systems. The project has also provided a number of computers and vehicles to the service to enhance its operations.

⁴² For example, component 3 of the programme is supposed to strengthen ‘domestic accountability’, among other measures, by financing retreats to prepare for public hearings (e.g. in the run-up to the Feb 2010 hearings). In addition, technical and financial support is given for the public transmission of PAC meetings. The GTZ also offers professional training programmes for MPs on extractive industries (with a view to revenues from oil and gold) and on increasing revenues (these trainings are carried out by international organisations such as *Extractive Industries Initiative* or *Revenue Watch Institute*).

⁴³ The specific goals of the second pillar on better parliamentary oversight on the actions of the government include the development of the capacities of the NA on general issues of governance and development; easing the participation of civil society organisations (CSOs) and the citizens in the control of government actions; facilitating the information circuit between the NA and the government and finally providing the NA all the tools needed to improve its control of the government. In terms of the latter goal specific activities are planned such as trainings on budgetary formulation; budget analysis and assessment of the finance laws. An important tool envisaged in attaining the second goal on citizen participation in control is the creation of an interactive website whereby individual citizens can provide questions and comments on the work of ongoing committees. Under pillar four, on control, a target for the PSDP is to organize joint training sessions for members of the NA and the CoA on improved ways of working together towards greater government control.

in 2008 at the urging of UEMOA and donors, especially the AfDB. Initial signs of openness towards civil society indicate that it could lean towards greater transparency which is required by UEMOA and donors that have strict rules in this area. The EC has led specific projects to support the capacity of the CoA,⁴⁴ the General Inspectorate of Finance (IGF) and the National Statistics Council and continued support for these specific projects is envisaged for 2010 (int.). Denmark and Sweden have been more active in the area of support for non-state actors and provided funds for CIFOEB and RENLAC to aid actions in the area of budget transparency (int.). With the exception of the Commission (CoA) and the AfDB (the NA), donors do not have specific projects to support control institutions. However the absence of money for a project supporting control organs does not mean that partners are not backing the control organs (int.).

In the **Dominican Republic**, the reform process of the PFM has brought a new model of PFM. It lacks however a clear action plan and a timetable supported by instruction from Congress, which raises some doubts as to the level of ownership and sustainability. Precisely with the idea of achieving these objectives a new programme was created in 2008 with financial support from the EC and the Public Financial Management Institutional Support Programme (PFMISP). As stated in the previous paragraph, the reform of the CoA is strongly supported by international donors, among them the EC. Complementarily, there is a wide set of accompanying measures (especially technical assistance and project funding) targeting PFM reforms, state modernisation, institutional strengthening and capacity building mostly targeted at government institutions. Additional or accompanying measures have only sporadically stressed the role of parliament, such as the PNUD programme (aimed at modernising and strengthening the role of the CoDs, with technical capacity building and support to increase the effectiveness of the budgetary process), or AECID's programme "strengthening of the CoDs on its functions performance".⁴⁵ As a matter of internal transparency, the Legislative Information System (created in 2006) publishes all documents related to the budget, available to civil society at the recently created Access to Information Office. The EU is sponsoring a project toward augmenting the fiscal policy capacity of information and analysis with the aims of increasing the participation of civil society and higher social expenditure.⁴⁶ In the EC country strategy paper for 2008-2013, no funds are set aside to support parliament, CoA or civil society actors in strengthening their role in the budget oversight process. Additionally, there is no direct collaboration with the General Comptroller. The cautious support for these institutions can be ascribed to the fact that donor interaction with Congress and the CoA has not been very successful in the past (int.). However, the CoA is strongly emphasizing the need for international cooperation (to date, this cooperation is mainly with other international SAIs and some donors, such as USAID, have started to collaborate with positive effects). Although these recent and current projects supported by donors are small, they are windows to the future of cooperation. However, the effectiveness of such programmes is undermined by a lack of inclusivity and a limited ability to reach wider targets. In this respect, donor harmonisation, strategic systematic planning targeting Parliament, civil society and the CoA, and implementation of a PAF that integrates parliament and CoA are crucial factors for capacity building.

7.3 Donor conditionality and domestic accountability

In previous studies, the risk that donor conditionality and external accountability demands- like PAFs and review meetings to discuss and assess government performance- might overshadow domestic

⁴⁴The EC supported the production and dissemination of the organic law of the CoA and also financed leaflets that explained the thrust of the court's work.

⁴⁵ A 2-year project (2009-2010) with EUR 260.000 grant support.

⁴⁶ The grant contract is signed between DIGECOOM and the NGO Centro Bonó (2008).

accountability was expressed repeatedly. However, it was also assumed that external and internal accountability can, at best, be complementary and reinforcing (see IDD and Associates, Mfunwa 2006, Gerster 2009). Our findings suggest that the potential risk of donor accountability demands overshadowing domestic accountability depends to great extent on the amount of ODA a country is receiving and on the actual state of good financial governance in the partner country.

In the **Dominican Republic**, ODA and GBS are comparatively low, leading to a situation in which donors have very little influence in shaping national policies and reduced power in terms of accountability. **Ghana** and especially **Burkina Faso** depend largely on ODA and GBS. In Ghana, the Public Financial Management system in general and domestic accountability mechanisms specifically have been improved over the last six to seven years since the introduction of budget support. However, they have not yet replaced the control mechanisms of international development partners, which remain much stronger and more influential on the government than national institutions. In Burkina Faso, donor support has significantly strengthened PFM. This impact is considerably weaker in regards to domestic accountability, especially because of the ruling party's dominance in the political, administrative and economic mechanisms of power (int.). Additionally, donors' focus on strengthening domestic accountability does not yet follow a systematic and sustainable approach. Therefore, government's accountability to donors remains much stronger than government's accountability to its citizens.

In the long run, external accountability mechanisms needed for the time being should be reduced in favour of democratically legitimised internal accountability institutions. This political perspective – beyond the donors' day-to-day business – is almost never touched upon in discussions with donor representatives. It is therefore essential to systematically integrate this medium-term perspective in donor concepts and programmes and to include the necessary reform agenda in the policy dialogue with the government.

8 CONCLUSIONS

The conclusions of the present study are based on a thorough analysis of the role and effectiveness of parliament and audit institutions in monitoring the budget. The findings are drawn from case studies in Ghana, Burkina Faso and the Dominican Republic. According to the results of these case studies and taking into account findings from other budget support receiving countries based on an extensive literature review, conclusions can be made with regards to: (i) the role and effectiveness of parliaments in monitoring budget support, (ii) the role and effectiveness of audit institutions (especially Supreme Audit Institutions) in monitoring budget support, (iii) donor assessment of national control mechanisms with a clear focus on EC policy and procedures, (iv) the impact of donor conditionality and accompanying measures on the improvement of national control mechanisms.

8.1 The role and effectiveness of parliaments in monitoring budget support

There is only very limited evidence that parliamentary oversight has significantly improved since the introduction of budget support. Parliamentary monitoring of budget support is weak and ineffective due to institutional, administrative and political constraints. It is significantly undermined by the political dominance of the executive and its effectiveness is further constrained by a severe lack of capacity, resources and support structures. The key question is whether this weak capacity and the political setting will have a detrimental effect on the success of budget support and the creation of domestic accountability, or whether, in the long-run, parliamentary and audit institution capacity can be significantly strengthened through the provision of budget support. Putting aid on budgets is an important first step towards increasing parliamentary scrutiny of aid. However it does not automatically improve the budget oversight role of parliaments especially in the absence of a coordinated and

harmonised donor approach that systematically supports and includes parliaments, strengthens their institutional capacities and takes account of the wider political, social and historical context. This conclusion is drawn from an assessment of constitutional powers, the role of parliaments in the budget cycle *ex-ante* and *ex-post*, the effectiveness and capacities of parliaments and the extent to which parliaments are included in the budget support process.

The constitutional powers and the use parliaments make of these powers vary widely. In all countries studied, parliaments have the constitutional obligation to examine and approve the annual budget. However, the real impact made by parliaments in the three countries studied is significantly constrained by (i) the political situation and the lack of democratic structures, (ii) strong presidential systems, (iii) inadequately defined checks and balances and (iv) a legacy of passive and ineffective legislatures. In Ghana, the executive's strong political dominance in and over parliament does not allow for any significant influence from the legislative. In Burkina Faso, democratic political structures are very limited and almost none of the policy and budget priorities determined by the government are modified. In the Dominican Republic, the utilization of public resources is determined in the main by the executive. A new constitution went into effect in January 2010, representing real progress in empowering the legislative in its oversight role within the budget process.

Even if parliaments need a more clearly defined framework for exercising their role in the budget process, they also need to make use of their existing powers. This is especially true in the Dominican Republic, where the new Constitution significantly strengthens the role of parliament. The major political challenge is to implement these newly gained rights and to overcome the legacy of extremely passive and ineffective parliamentary oversight. Thus, constitutional empowerment is an important first step; the political will and motivation of parliamentarians is crucial and needs additional incentives.

Parliament's role in the budget cycle (*ex ante*): Judging by their formal amendment powers, parliaments in the three countries studied are budget-influencing legislatures. However, the real influence exercised by parliaments is marginal and insignificant, leading to a situation in which parliaments in the case countries must be considered legislatures with little or no budgetary effect. In Ghana and Burkina Faso, parliamentary amendment powers are limited. However even within these limitations, parliaments could exercise greater influence in the *ex-ante* budget process. In Ghana, parliament may make reallocations within budgets. But this opportunity is not used to significantly impact on budget priorities, since parliament's political culture and traditional opposition politics are usually not understood as constructive matter-of-fact politics seeking for real political alternatives. In **Burkina Faso**, the ruling CDP and its allies are dominant in the assembly and it is difficult to ensure that parliament is not a mere procedural clone that rubber stamps CDP desires as ensconced in the budget. In the **Dominican Republic**, the current situation is that of a newly empowered parliament that has the legal framework to actively influence the budget, but does not yet make use of this power, reducing it to a legislature with little or no budgetary effect.

Parliament's role in the budget cycle (*ex post*): In all countries the major challenge remains the implementation of recommendations and the effective follow-up of audit findings. This is especially true in the case of Burkina Faso, where a climate of impunity ultimately limits parliament's *ex-post* oversight functions. Ghana must be seen as an example of positive development in *ex-post* budget oversight. The introduction of public hearings has contributed to growing awareness and interest among Ghanaian citizens and has considerably strengthened parliament's reputation. Additionally, the improved timeliness of SAI reports aided collaboration with the PAC and the audit institution to address cases of misuse of funds in a reasonable time period. In the Dominican Republic, as of now, there is no genuine *ex-post* oversight and it remains to be seen whether the new constitution will contribute to a more active and engaged parliament.

The effectiveness of parliaments: Key factors limiting the effectiveness of parliaments are first, time for scrutiny and the lack of a budget act which defines the rights and responsibilities of parliaments in the budget process. In the Dominican Republic, for example, the introduction of such a bill alongside constitutional reform now enables parliament to have sufficient time for scrutiny. Second, a lack of capacity, adequate resources and support structures which severely weakens the quality of parliamentary work. For example, the fact that parliamentarians in Ghana and Burkina Faso do not have their own office space is an unacceptable constraint. The capacity of parliamentarians to actually understand and analyse the budget and gain access to all relevant information poses a serious challenge. The establishment of a parliamentary budget office, equipped with qualified staff, adequate information technology and access to key information, such as the newly created Planning and Developing Unit (PDU) in the Dominican Republic and the continuous and systematic support of donors could lead to significant improvement of this situation.

Strengthening of the role of parliaments in monitoring budget support is a complex process and can only be achieved in the long-term. Nonetheless, a number of factors can be important triggers for such an improvement: The case of Ghana clearly shows that using significant donor contributions to upgrade the SAI can have positive effects on parliament, especially the PAC committee. In addition, the greater transparency and openness of PAC meetings through public hearings and wide media coverage have significantly increased public interest in the nation's budget and government accountability to its citizens. In the Dominican Republic on the other hand, public hearings are held but are rather insignificant due to low media and public interest. This can be traced back to the poor reputation of parliament and SAI reports. Therefore, important synergy effects can be achieved by strengthening SAIs and by encouraging parliament to make increased use of its reports to achieve greater credibility with the media and the public.

Also, the introduction of a budget act that clearly assigns parliaments the necessary rights and responsibilities in the budget process is crucial to strengthening parliaments' role. Regarding the effectiveness and increased impact of parliaments, experiences made e.g. in Uganda clearly show the positive impact of the introduction of a budget bill. The fact that Ghanaian parliamentarians are discussing the introduction of such a bill is a positive step forward, especially since this is an endogenous and country-led process. However, donors can support such a process by facilitating parliamentary exchange and through this means the information flow on other countries' experiences with a specific legal framework dedicated to strengthen parliament's role in the budget process.

Additionally, parliaments are not adequately included in the budget support funding process. In Ghana, parliamentarians can theoretically approve all loans taken by the government. However, this opportunity is hardly ever taken. In Burkina Faso parliament learns about GBS during the ratification of loan agreements. However the ratification of loan agreements is a very time-consuming activity: in Burkina Faso it demands approximately 75 percent of parliamentarian's time. Therefore, a system is needed by which parliaments become more aware of budget support funding and act as complementary control mechanisms to donors' external control. The ratification of all loan agreements could be one option, on the other hand, such a procedure would require more donor harmonisation so that parliaments would not have to ratify each bilateral agreement, but preferably a common framework.

The fact that parliaments are not systematically involved in the policy dialogue or in the annual review of budget support significantly limits parliamentary oversight of budget support and the commitments the executive made in the policy dialogue. The main reasons for the exclusion given are (i) that this is the mandate of the executive and (ii) the limited capacity of parliament undermines the usefulness of such participation. In Ghana, international development partners do not place any particular value on

involving parliament in the policy dialogue. In Burkina Faso, there was a strong sense of reticence and reservation on the part of donors concerning a suggestion by the consultant that the NA be more involved in the policy dialogue. In the Dominican Republic in particular, donor focus and coordination emphasises collaboration with executive institutions, while joint cooperation with parliament is weak.

In this respect, the visibility of budget support and dialogue between parliamentarians and donors need additional attention. A very recent development in Ghana shows a potential way forward. On 26 May 2010, the Ghanaian Parliament inaugurated a Parliamentary Platform on Multi Donor Budget Support (MDBS) with the aims of bringing parliament closer to donors and creating a forum for long-term engagement on policy issues and information sharing, strengthening partnerships for parliamentary governance and harmonised support for parliament and exchanging information on the implementation of the new Strategic Plan for Parliament with links to the MDGs, the proposed Medium Term Expenditure Framework and other national initiatives. Such an initiative could be a role model for other countries. However, it is of essence that the creation of such a platform is demand-driven and requested by parliamentarians in partner countries. In the case of Ghana, a parliamentary statement declares: "the preclusion of Parliament from the MDBS process has naturally not gone down well with many legislators", it is hoped that the new platform will lead to a greater role for parliament in the MDBS process.

8.2 The role and effectiveness of audit institutions

Overall, the role of SAIs in monitoring budget support funding has improved in the last years. In addition, donor support to SAIs has increased significantly in the wake of budget support and in all case countries has led to a strengthening of the institution. The improvements are most significant regarding the timeliness and quality of the audit reports, so that more cases of misuse of funds are detected and made public. In **Ghana**, for the first time the report for the 2008 budget year was submitted to parliament within the six-month time limit while the quality of the reports also improved substantially. In the **Dominican Republic** the CoA is immersed in a profound state of reform to overcome the low quality of its work and to address major challenges, largely supported by UNDP and backed by several other donors. In **Burkina Faso**, CoA reports have helped generate a healthy degree of awareness of budgetary issues amongst the population.

Nonetheless, **major challenges** remain: The lack of resources and adequate funding for SAIs is evident and severely **limits the effectiveness** of SAIs. Usually this problem cannot be tackled separately from the SAIs' lack of independence. In **Burkina Faso** and **Ghana**, the head of the SAI can be removed by the president which greatly limits its independence. Furthermore, the fact that the SAI budget is determined by the ministry of finance puts additional constraints on adequate funding and support. The situation in the **Dominican Republic** has significantly improved with the new constitution: the mandate to appoint the triads and the CoA budget has been shifted to congress, thus the CoA is expected to play a greater role and it is assumed that this will reinforce congressional capacity to monitor the budget in a balanced relationship. In addition, it has to be assured that SAIs are well equipped with highly qualified staff and sufficient manpower to deal with their increasing workload. In all case study countries, donors need to increase the support for SAIs to address the lack of funding and encourage partner governments to do the same.

Another crucial challenge remains a **lack of effective follow-up of audit findings**: The implementation of SAI recommendations remains a major weakness and seriously limits the extent to which government is held accountable. In the case of **Burkina Faso**, this shortcoming was pointed out in the PEFA analysis and the policy dialogue between the government and donors called for the creation of a

financial and budgetary discipline chamber within the court. In the **Dominican Republic** and **Ghana**, institutions to implement audit recommendations are in place but are not yet working effectively.

SAIs are not adequately integrated in the budget support process. In all case study countries they are not systematically informed about ODA and budget support inflows. Therefore, SAIs are ill-informed about the income side of the budget and cannot identify the amount of budget support received. Whereas in Ghana the audit reports of the SAI are used by donors for the yearly review of budget support, the CoA in the Dominican Republic expressed concerns that it has not so far been used as the audit organ of donor budget support practices. Nevertheless, **GBS has increased the use of national audit systems and decreased parallel audit mechanisms.**

Internal audit institutions are not yet effectively tackling corruption and are regarded as too close to the state. This dilutes their capacity to act as independent control mechanisms. Additionally, internal audit institutions don't seem to be a high priority for donor support. However, in the case of **Burkina Faso**, the main regulator for public tenders (ARMP), newly established in 2008 at the urging of the West African Economic and Monetary Union (UEMOA) and donors, has been performing remarkably well, demonstrating that donor support to internal audit institutions can be worthwhile and significant. A critical factor seems to be the structure and transparency of internal audit institutions: the fact that the ARMP seeks to reflect the views of the state, the private sector and civil society and operates in a relatively transparent way based on this tripartite schema of actors distinguishes it from other internal audit institutions, which are usually too close to the president.

Depending on the type of external auditing, the crucial collaboration of and institutionalised relationship between the SAI and parliament differ greatly. Drawing a conclusion from the case study countries, the collaboration of parliament and the SAI under the Westminster model of external auditing (**Ghana**) seems to be more effective than the collaboration under the judicial model in **Burkina Faso** and the **Dominican Republic**. The improvement of collaboration, however, cannot be attributed solely to the audit model. The quality and timeliness of reports, in conjunction with the introduction of public hearings, are also key factors. Furthermore, constitutional changes allowing improved collaboration of parliament and the SAI need to be followed up by implementation (as in the case of the Dominican Republic). In Burkina Faso, the CoA lacks the real legal power to ensure that their recommendations take effect, especially with regard to those accusations that are matters of criminal liability. The findings lead to the supposition that (i) the improvement of timeliness and quality of SAI reports lead to better collaboration with parliament, and (ii) the overall democratic culture of a country is decisive for institutional collaboration.

8.3 The role of civil society actors

No single institution can ensure domestic accountability by itself. Only a functioning network of players in the public sphere, embedded in democratic mechanisms of power control, can develop the necessary checks and balances to oversee a strong executive. **Civil society actors have an important role to play. They must complement national control mechanisms, especially in countries where PFM is weak.** Therefore, the participation of civil society actors in budget processes is a core component of effective PFM. Moreover, national control mechanisms do not only depend on horizontal accountability (the checks and balances in the partner country and the capacity of state institutions to provide oversight and to audit the use of public resources), but also on mechanisms of vertical accountability (mechanisms used by citizens and non-state actors such as civil society, NGOs and the media to hold government to account). This perspective is often ignored by donors, who focus rather on administrative and technical aspects of PFM and on agents of horizontal accountability.

The findings of this study clearly indicate that the **improvement of national control mechanisms and the development of internal accountability rely on synergy effects deriving from the active involvement of parliament, SAIs, civil society actors and the general public**. In a country like Burkina Faso, where democratic structures are severely limited, the growing interest and involvement of CSOs and the media in budgetary issues are extremely important to create a platform for government accountability. In addition, greater transparency and an increasingly active media in Ghana have further strengthened the SAI and the PAC. Nonetheless, the network and collaboration of parliament, SAIs and civil society actors with regards to the budget needs to be further consolidated and strengthened in all three countries studied. The improvement of PFM cannot be achieved by strengthening institutions alone. The interplay of these institutions and the key role of civil society actors in budget monitoring must gain more weight in the debate on strengthening national control mechanisms.

8.4 Examination of national control mechanisms by donors

The assessment of the PFM and the PFM reform is a high priority for donors before budget support is agreed on. In addition, progress in the PFM system continues to be an important trigger for the release of budget support. In **Ghana**, from the very beginning a functional PFM system was an important precondition for budget aid. Reforms leading to more transparency and accountability in PFM began as early as the 1990s. Furthermore, according to donor representatives, the new government appears to have great interest in improving the PFM system. In **Burkina Faso**, within the framework of efforts to meet PRSP goals, international donor partners and the government commenced efforts to strengthen PFM and PFM reform took centre stage in the policy dialogue. In the case of the **Dominican Republic**, a pro-governance and pro-transparency legal and institutional framework along with an on-going PFM reform process are the main factors assessed by donors before providing or continuing budget support.

This strong focus on PFM is reflected by the fact that PAF indicators targeting the improvement of PFM take centre stage. Having said this, **it is also obvious that within PFM, donor focus is mainly on governmental institutions and on technical and administrative aspects of PFM**. Whereas the role of the SAI has attracted donor attention and support, the oversight role of parliaments is acknowledged by donors but insufficiently assessed and supported. This is a sign of a **limited understanding of national control mechanisms**. By targeting PFM the EC focuses mainly on government institutions and agents of horizontal accountability (formal oversight institutions). Within horizontal accountability SAIs attract more attention than parliaments. In addition, agents of vertical accountability are hardly taken into account. Parliament, on the other hand, plays a crucial role in both types of accountability since it acts as citizens' representatives. For **domestic accountability to improve in the long run, agents of vertical accountability must be included in the analysis of national control mechanisms**. Relying solely on the technical aspects of PFM will have a limited effect on the improvement of domestic accountability. This rather one-sided approach towards PFM has a significant impact on the assessment of national control mechanisms and can be seen throughout the EC budget support approach. In addition, **the strengthening of Executive capacities while national control mechanisms such as parliament, SAIs or civil society actors remain weak can lead to increased fiduciary risks and lack of the necessary checks and balances to oversee a strong executive**.

In all case study countries a PEFA was conducted at some point in the budget support process to assess the quality of the country's PFM. However, in none of the countries studied was such an assessment made prior to the introduction of budget support. In addition, the fact that parliaments and SAIs scored badly did not seem to have any influence on the decision to provide or deny budget support. The EC guidelines state that there is no automatic link between the PEFA assessment scores

and eligibility for budget support. This can be traced back to the dynamic interpretation of eligibility criteria, the emphasis placed on the political will of the government to reform PFM systems, and to the design and implementation of the reforms. The Cotonou Agreement, on the other hand, states that budget support should only be granted if public expenditure management is sufficiently transparent, accountable, and effective. The dynamic approach of eligibility criteria focuses rather on the direction of change and reform and less on actual transparency, accountability and effectiveness. The assessments of and decisions on whether PFM systems are too weak to provide budget support are not easy accessible and done rather on a case-by-case basis. It is difficult to determine where the EC draws the line and decides not to provide or to withdraw budget support due to inefficient PFM.

With regard to parliament and SAIs, the integration of PEFA recommendations into budget support conditionality (PAF) is not yet done in a systematic manner. In the countries studied, the only exception was **Burkina Faso**, where PEFA's main recommendation, to strengthen the follow-up of SAI recommendations, has been taken up by donors and included in the PAF. In addition, PEFA's focus is limited to technical aspects of PFM. The oversight role of parliaments is only considered in two scores and the role of the SAI in one score. This assessment falls short of analysing the institutional capacity, the political and historical situation of parliament or the SAI in the budget process, and cannot be regarded as a sufficient assessment of the capacity of these institutions. Therefore, **national control mechanisms, in a more holistic understanding, are not adequately assessed before budget support is agreed on.**

The European Court of Auditors has raised similar concerns, albeit with a sharper focus on PFM and to a lesser extent on the role of parliaments or SAIs. Their criticism targets the need to further formalise and structure the assessment and monitoring of PFM (annual reviews). It must be ensured that in the current revision of the EC guidelines and in the upcoming green paper on budget support the conclusions and recommendations of the present study are taken into account and that not only PFM is assessed and monitored in a more systematic and formalised manner, but also key institutions of national control mechanisms.

With regard to fiduciary risk assessment and management, **it is striking that in the EC Guidelines 'fiduciary risk' and 'fiduciary risk assessment' are not explicitly addressed.** In interviews it was stated that the EC treats the word 'fiduciary risk' as a taboo. Even if EC fiduciary risk management is, as stated, as comprehensive as that of, for instance, DFID which comprises an in-depth assessment of fiduciary risks that goes beyond the technical aspects of PEFA, it is not formalised made nor is it easily accessible. Nonetheless, the conditionality applied and the use of a fixed and a variable tranche are key aspects of risk management. However, the EC's dynamic interpretation of eligibility criteria calls for a much more accessible and formalised risk management and the easy identification of measures taken to mitigate those risks.

8.5 Extent and effectiveness of Budget Support Conditionality (or accompanying measures) in influencing and improving national control mechanisms

Overall, **budget support conditionality and accompanying measures did have positive effects on PFM.** However, this effect is stronger with regard to SAIs and considerably **weaker with regard to parliament.** There is only very limited evidence that parliamentary oversight has significantly improved since the introduction of budget support. A key constraint in this respect is the constitutional framework and the political situation in which parliaments are operating. In addition, the lack of resources and support structures, striking in all countries studied, is starting to be addressed by donors, but needs further consolidation, additional funding and systematic support. Most important, it cannot

be expected that the provision of budget support *per se* will ultimately strengthen national control mechanisms without a clear donor commitment to this goal.

In all countries studied, the conditionality of GBS has been used to address shortcomings in PFM.

The actual impact and effectiveness of this conditionality, however, varies significantly depending on the country context. The impact of budget support conditionality is likely to be higher in aid-dependent countries where GBS takes up a significant part of the national budget. In the case of Ghana and Burkina Faso, both highly aid dependent, **the increase of budget support has been used by donors to significantly increase pressure for reform in the area of PFM.** In the Dominican Republic, which is less dependent on aid, donors have less control options and less room to influence budgetary composition. However, within this limited scope, donor focus on PFM reform is clear.

As stated above, budget support conditionality does not yet systematically include the oversight role of parliament or SAIs.

However, SAIs have increasingly become the focus of donor attention and the Commission has stated that they are now increasingly included in budget support conditionality. The effect of budget support conditionality on the oversight role of parliament is of no practical value since parliamentary budget oversight is not part of the PAFs of the countries studied.

The EC Guidelines on budget support also provide for 'complementary support to the budget support operation' where reference is made to the possibility that, "when the upgrading of internal control systems is on the PFM reform agenda and the partner country expresses their need to be supported in this area, the EC can provide finance for an audit limited to an analysis of the internal control systems [...]" (EC 2007: 68). Within this audit, special reference is made to the important role of SAIs. No reference is made to parliament. Parliament is only mentioned once, stating that the examination of PFM weaknesses is **likely** to lead to development of actions in the area of PFM and related capacity development needs, which could touch on the Ministry of Finance, sector ministries, SAIs or parliament. This raises the question of **why the upgrade of national control mechanisms is not made mandatory** in countries where budget support is provided, given the fact that they are likely to be insufficient in all budget support receiving countries. In addition, the long term success of budget support largely depends on the effectiveness of partner countries' control mechanisms, thus strengthening these mechanisms is in donors' own interest.

Concluding from the case countries, it seems that **budget support funding and donor funding of accompanying measures targeted at improving domestic accountability are imbalanced.** In the EC country strategy paper of Ghana, in the area of governance, the CSP states that it will provide support for civil society organisations that contribute to the 'watchdog' and social accountability role, including support for independent media and schedules approximately 2% of the total programme for strengthening civil society actors. The CSP further states that it will support the capacity of non-executive governance institutions and parliament in order to strengthen their oversight role and plans to provide 1% of the total programme for this field. This approach is definitely a step in the right direction. In view of the significant weaknesses of parliament and the urgent need for capacity development and the fact that the success of GBS largely depends on these control institutions this amount could be raised. This is especially true of the EC country strategy paper for the Dominican Republic, in which no funds are set aside to support parliament, the SAI or civil society actors to strengthen their role in the budget oversight process.

Therefore, **the impact budget support has had on domestic accountability is less significant and still the weakest link in PFM** for three main reasons: (i) donor conditionality and accompanying measures still focus largely on administrative and technical aspects of PFM, while strengthening parliament, the independent media and civil society only plays a marginal role and (ii) there are no

short-term solutions to improving domestic accountability and the shift to GBS will not automatically reinforce domestic accountability without real political and democratic change which allows actors and institutions to assume new roles and (iii) without a clear donor commitment to strengthening national control mechanisms.

The potential risk that donors' external accountability demands have detrimental effects on domestic accountability could not be confirmed by the findings of this study. Especially in the case of Ghana, it was found that external and internal accountability has been complementary and reinforcing. However, the control mechanisms of international development partners remain much stronger and more influential on the government than on national institutions. In addition, the aid dependency of a country clearly impacts the potential disruptive influence of external accountability. Nevertheless, in the long run, external accountability mechanisms currently needed should be reduced in favour of democratically legitimised internal accountability institutions. This political perspective – beyond the donors' day-to-day business – is almost never touched upon in discussions with donor representatives.

9 RECOMMENDATIONS

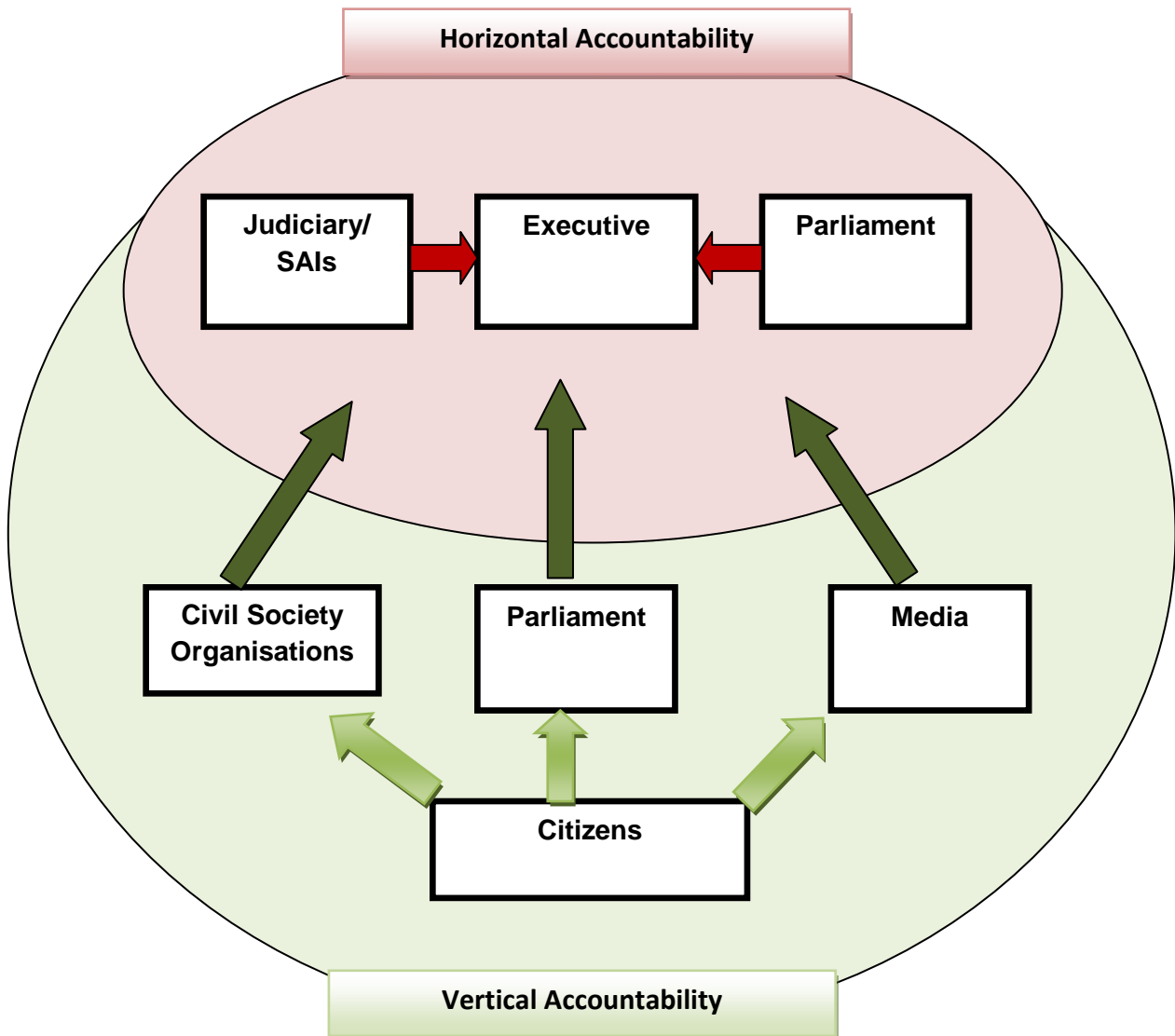
9.1 To the European Commission

A more general first recommendation regarding the building of domestic accountability mechanisms: There are no short-term and no 'one size fits all' solutions to improving domestic accountability and therefore no immediate alternatives to the accountability mechanisms created by donors. Having said this, in the medium-term and long-term, strengthening actors outside the executive has to be given much greater importance. No single institution can ensure domestic accountability by itself, therefore the interaction of key institutions that act as national control mechanisms and the building of alliances has to become an important focal point for strengthening domestic accountability. Budget support is supposed to strengthen domestic accountability and reinforce the ability of citizens to hold their governments to account. Putting aid on budgets is an important first step. Greater domestic accountability, however, will only come about when donors figure out the political factors that adversely impact on accountability relationships and when support for the capacity development of key institutions and actors of national control mechanisms is significantly increased.

On the policy level:

Most important, the *Guidelines on the Programming, Design & Management of General Budget Support* should include a clear and holistic definition of and approach towards national control mechanisms and strongly acknowledge the important role of parliaments in overseeing the budget. A possible definition includes the following: National control mechanisms include key institutions of budgetary oversight and are comprised of at least two forms of accountability: horizontal and vertical. Horizontal accountability refers to the checks and balances within the partner country and the capacity of state institutions such as parliament and SAIs to provide oversight and to audit the use of public resources. Vertical accountability refers to the mechanisms used by citizens and non-state actors such as civil society, NGOs and the media to hold government to account. Parliament is important for both types of accountability since it acts as citizens' representatives. Thus seen, parliaments are key institutions that act as national control mechanisms.

National control mechanisms



Based on such an understanding:

The guidelines should call for the **systematic assessment and monitoring of national control mechanisms**, especially parliament. The EC should invest in developing a framework for assessing and monitoring parliamentary performance in budget support receiving countries in order to analyse the political, socio-cultural and institutional terrain of parliament and the relationships, interests and agendas that determine and impact the oversight role of parliament. Such an assessment could be the first step to develop a basis for a sound understanding of the strengths and weaknesses, potentials and constraints of parliaments in partner countries. It is recommended that existing assessment frameworks, standards and parliamentary benchmarks⁴⁷ are used and at best, efforts are made to have a common framework for assessing parliamentary performance. In addition, a combination of self-assessments and

⁴⁷ like the ones developed by the National Democratic Institute for International Affairs (NDI), the Commonwealth Parliamentary Association (CPA), the Southern African Development Community Parliamentary Forum (SADC-PF) or self-assessments developed by the Inter-Parliamentary Union (IPU) or the Indicators of Parliamentary Performance in the Budget Process of the Parliamentary Centre.

external assessment would be most helpful to make sure that any intervention is demand-driven and characterised by ownership by parliaments. Such an assessment should not be a precondition for budget support, but rather a systematic accompanying measure and **could serve two purposes**:

- Effective parliamentary capacity development and support must be based on close knowledge of individual parliaments and their position in relation to other institutions and to the broader political culture. Through self-assessments, parliaments can identify their own strengths and weaknesses and the input needed to amend the situation. In addition, the potential inclusion of parliamentary performance in the PAF can only be done based on a thorough analysis of its performance. Such an assessment would also provide the basis to indicate which weaknesses of parliament are addressed and by whom in order to get a systematic overview and to harmonise donor interventions.
- As a mechanism to monitor parliamentary performance, improvements and remaining difficulties. In this way risks related to parliamentary budget oversight can be systematically monitored and mitigated. It would also help to recapture confidence in the instrument if the EC would systematically assess the capacity of parliaments in partner countries to oversee the budget, to identify the interventions necessary to mitigate existing weaknesses and to monitor performance, improvements or stagnations (see Annex 5).

The EC should better balance budget support funding and capacity development for key institutions that act as national control mechanisms. Given the fact that control mechanisms are likely to be ineffective and weak in all budget support receiving countries, the EC should systematically support national control mechanisms in budget support receiving countries with a special focus on parliament, civil society actors and the media. National Indicative programmes of country strategy papers of budget support recipients should systematically include funding for such capacity development. This could either be done as complementary support to budget support or as a separate programme. Again, a thorough case-by-case assessment of absorptive capacity and local demand should be the basis for such an approach. In addition, it would require synchronisation and harmonisation with other donors in order to maximise synergies and avoid duplications and increased administrative burdens for parliaments and civil society actors.

Fiduciary risk management: Conditionality and the procedure of having fixed and variable tranches clearly helps to minimise fiduciary risks. However, a more direct and transparent dealing with the issue of fiduciary risks would restore confidence in the instrument rather than unsettle potential sceptics. The understanding, mitigation and monitoring of fiduciary risks must be formalised, easy to understand and addressed accordingly. Assessing fiduciary risks and especially the risk of corruption has to include the historical, governance and institutional context in which key institutions operate. In addition, by evaluating potential fiduciary risks, institutions outside the executive should be given greater importance. The recommended assessment of parliamentary performance (see above) could flow into fiduciary risk assessments. Regarding the monitoring of fiduciary risks, the EC should consider a mandatory Annual Statement of Progress to identify reform outcomes and any new fiduciary or corruption risks.

Regarding parliament:

In times of an increasing use of national systems and aid put on budgets, parliaments have an important role to play in ensuring that aid is managed and spent effectively according to the national strategy of poverty reduction. The EC is strongly advised to take greater account of parliaments in development work. More specifically, parliaments have to be considered as important actors to strengthen domestic accountability and as potential partners in ensuring that the aid provided is used

to the meet development targets. The complex web parliaments operate in – institutional constraints, the political and social environment, the position and reputation of parliament in the wider society, the interplay of parliament with other institutions and last but not least their relationships with donors – have to be understood for interventions to be meaningful.

In any case, to strengthen parliaments in the long-term, donors can only build on existing local demand and the reform willingness of parliaments. In this understanding, the oversight role of parliaments can be strengthened even within constitutional limitations and political constraints:

- With regard to the *ex-ante* oversight of the budget: To increase the use of possible amendment powers, the capacity to actually understand the budget is crucial. The introduction of non-partisan, independent and objective **Parliamentary Budget Offices (PBOs)** with the mandate to offer support in analysing the budget with respect to (i) the compliance with the MDGs and the national Poverty Reduction Strategy, (ii) the income side of the budget and the mobilization of national resources for the achievement of the MDGs, (iii) sectoral budget analyses, for example education and health and (iv) specific vulnerable groups such as children or women is strongly recommended. In addition, the delayed submittal of budgets to parliaments is an issue that could easily be addressed in the policy dialogue.
- Regarding *ex-post* oversight of parliament: Strengthening the *ex-post* oversight of parliament has to be linked to strengthening SAIs. In addition, improved transparency and public access to key information is crucial. **Public hearings** of the Public Accounts Committee and their media coverage can significantly strengthen parliament's oversight role and parliament's overall reputation. Preparation of public hearings, the input of experts into such meetings, technical equipment to improve media coverage, capacity building for journalists etc. requires personal resources as well as financial and technical support. The EC could and should further support this approach in countries where public hearings are already taking place and call for and support the introduction of public hearings in countries where they are not yet common. In countries where public hearings are already taking place, but face a lack of public interest, the restoration of the reputation of parliament and of SAIs through intensive, demand-driven capacity development has to be recognized as a necessary first step.
- Regarding the effectiveness and capacities of parliaments: Continuous capacity development is ultimately necessary. **The EC should step up its support for parliaments** with a clear focus on interventions that go beyond short-term, ad hoc measures and focus on the long-term, systematic institutional development of parliaments. Recommendations and in-depth studies on parliamentary strengthening have been made elsewhere and go beyond the scope of this study (see Hudson and Wren 2007 (see Annex 4), Waddell 2008, Eberlei/Henn 2003). However, a good entry point would be to support the aforementioned establishment of PBOs equipped with qualified staff, adequate information technology and access to key information sources (e.g. through IFMIS) to amplify parliamentarians' capacity to scrutinise budgets and improve parliamentary debates and contributions. In addition, the introduction of a **budget act** that clearly defines the rights and responsibilities of parliamentary oversight can significantly strengthen parliamentary oversight.
- Supporting **parliamentary exchange** can jump start internal processes and endogenous demand for constitutional amendments to strengthen the role of parliaments in reform willing countries. Donors can support information flows from other countries whose MPs operate in similar contexts. The call for the introduction of a budget bill in Ghana clearly emanates from

exchange with Parliamentarians in Uganda. The responsibility for this process lies with the partner countries' parliaments; donors however, can play a facilitating and supporting role.

- The interplay between the legislative body and civil society actors could help to create an effective system of transparency and accountability. Therefore, strengthening mechanisms for information exchange and discussion between legislative institutions and civil society actors through civil society analysis of the budget, hearings, open forums, participation of civil society representatives in committee meetings, etc. should be supported
- **Including parliamentary oversight in the PAF might be a worthwhile option.** However this has to be carefully evaluated for every country context, keeping in mind that the executive must have control over the potential accomplishment of PAF indicators. A more general concern is that the checks and balances of a country provide for parliament to watch over the executive and not to increase the executive's influence on parliament. Nevertheless, possible points of intervention include for example transparency issues, adequate funding for parliament and on-time delivery of the budget to parliament. In addition, **the EC is strongly advised to raise the issue of parliamentary oversight in the policy dialogue more systematically.** This would remind the executive that parliaments are on donor's agenda and provide an opportunity to convince reluctant members of the executive that a stronger oversight role for parliament is in the country's interest and would reduce external accountability mechanisms in the long run.
- The EC should push for the **systematic integration of parliaments in budget support funding processes.** Even if governments are donor's first address with regard to budget support, the inclusion of the legislature can reinforce and complement demands for external accountability. There are many options:
 - The systematic integration of parliaments in the policy dialogue. Even if the mandate is with the executive, key parliamentarians should be invited as observers so that parliament remains informed about what the government is committing to in the policy dialogue and the PAF. In this area, information flow is crucial. Allowing one parliamentarian to observe the policy dialogue might not lead to the awareness of the whole parliament. This drawback can be avoided by systematically inviting representatives of all political parties, relevant committees (PAC, finance committee, etc.) and the parliamentary speaker or president who are then required to report back to the plenary or to their committees. In addition, MPs could be invited to join the sector working groups.
 - Furthermore, parliaments should be included in the annual review of budget support. The EC should call for the inclusion of relevant representatives of parliament (see above) to make sure that parliament is aware of the achievements or failures of the executive. The inclusion of MPs in budget support review meetings could therefore improve the information flows on financial and budgetary issues between the executive, the development partners and the legislative.
- Another option to increase parliamentary scrutiny of development aid, especially budget support, is to present parliaments in budget support receiving countries an annual or biannual report covering all information and data on budget support. Such a report could be presented to parliament after the PAF was agreed upon or after the annual review of budget support was held. Most importantly, this measure would increase knowledge about and visibility of budget support and could provide parliament with the information necessary to hold the executive to

account. In addition, it would require donor harmonisation efforts to ensure that one report covers all bilateral and multilateral donor budget support.

The creation of the parliament-donor platform in Ghana is a possible way forward for increasing parliamentary engagement in new aid modalities such as budget support. It is too early to say whether this measure will have a far-reaching impact on the improvement of parliamentary oversight. It should be kept in mind that its creation in Ghana was demand-driven and called for by the Ghanaian parliament. Nonetheless, the EC is strongly advised to monitor and evaluate the success of this project and to discuss the possible establishment of similar platforms in other countries.

Regarding Supreme Audit Institutions:

Continued support for Supreme Audit institutions is necessary as these institutions play a key role in debates in parliament as well as in the general public. In general, SAIs are not adequately staffed or equipped, especially considering the growing workload resulting from the increase of audited institutions. In addition, most SAI publications and reports are still too complex for less informed readers (as many MPs are). Popular and poverty-sensitive versions of audit reports are necessary as well as a website to make SAI reports available on time and allow public access.

Different stages of budgetary control have to be taken into account. Ministerial effectiveness and audits are often weak. The work of SAIs will ultimately improve and be made easier if accounting and auditing within sector ministries (education, health etc.) are improved accordingly.

The **EC should and can systematically include the external audit function of SAIs and the major challenges in the policy dialogue and the PAFs.** Governments should be encouraged to invest in their capacities and make sure that they are adequately funded and equipped. With regard to the weak follow-up of audit findings, based on a comprehensive analysis of the problem, **the EC should require the effective follow-up of audit findings and the implementation of recommendations in the policy dialogue of all relevant countries.** Another option to target the weak follow-up of audit findings is **the increased involvement of civil society:** through activities such as tracking of reported cases of government corruption and misconduct and revealing cases of government non-action by making those public, civil society can complement parliamentary or SAI efforts and put additional pressure on the government to take corrective action.

The collaboration of SAIs and civil society should also be strengthened with regard to involving civil society in audit planning through, for instance, **public complaints mechanisms.** SAIs can profit from civil societies knowledge, access to information and contact to citizens with regard to potential cases of corruption and misuse of money. The establishment of an alert system which enables civil society to raise complaints about perceived corruption or to request that an audit is performed in certain public agencies can significantly enhance the coverage and identification of cases of corruption.

To improve alignment, it is of paramount importance that national audit reports are increasingly used by donors to reduce external audit mechanisms in the long run. Also, the EC should proactively inform SAIs about budget support inflows and data; SAIs should not have to ask for data from the ministries that administrate budget support.

Regarding civil society

The EC is strongly advised to regard civil society actors such as NGOs and the media as important actors who can complement national control mechanisms, especially in countries where PFM is weak. To create domestic accountability, an environment is needed that includes not only oversight institutions with an official mandate to monitor the work of the executive, but also civil society actors who can hold governments to account for the use of public resources. Therefore, **the EC needs to do more to**

strengthen the watchdog role of civil society actors and the media in budget support receiving countries through:

- Inclusion in important decision making processes (like the annual budget support review process); transparency and information flows are key. Numerous suggestions on how to support the institutionalisation of civil society participation in political processes have been made elsewhere (see for example Eberlei 2007 a/b).
- Capacity development of agents of vertical accountability such as NGOs and the media with regard to budget scrutiny and audit reports should be actively supported by the EC. Such measures should be seen as a comprehensive attempt to improve overall budget accountability and oversight and to help building necessary linkages and synergies between the different institutions. In addition, the involvement of civil society in new aid modalities should not only focus on budget support processes but rather on monitoring budgets and their implementation as a whole.
- The EC should actively support mechanisms of social accountability such as for instance social audits, participatory budgeting and citizen report cards to increase the accountability of government not only to parliament, but most importantly to its citizens. In the same vein, such interventions would also help strengthening the accountability of parliamentarians vis-à-vis their constituencies and local civil societies.
- The consultation of civil society actors in the budget cycle can provide important inputs. Civil society actors or specialised NGOs can make important contributions to, for example, budget allocations and their poverty and gender sensitiveness, parliamentary analysis of the budget, audit planning and implementation of audit findings etc. Even if budget support is regarded as a exclusive donor-executive activity, the expertise certain civil society actors should be made use of. Donors as well as the government could consult civil society prior to the policy dialogue or annual reviews for expert opinions on, for example, priorities needed to be included in the PAF or non-achievement of certain indicators.

9.2 To the European Parliament

The European Parliament should include the issue of budget support and parliamentary budget oversight in the dialogue with parliaments of ACP countries within the framework of the joint EU-ACP Parliamentary Assembly and with the assistance of the *Office for Promotion of Parliamentary Democracy (OPPD)*. The following aspects should be the focus of such an exchange: Which efforts are partner country parliaments making to improve budgetary oversight? To what extent is the legislative contributing to good financial governance and improved PFM? To what extent is parliament able to address the concerns and needs of the target groups of poverty reduction strategies and of civil society?

The EU Parliament should be an active partner in establishing a framework for parliamentary assessment and monitoring with the aim of introducing a systematic and regular evaluation of parliamentary performance in budget oversight. The use of existing frameworks could be further developed through European analyses and priority setting. Within the framework of international networks or ACP parliamentary initiatives the European Parliament could assess and discuss best practice within partnership based exchange. Evidence-based analyses can strengthen the cooperation of parliaments in the spirit of the Paris Declaration and of mutual accountability and ownership.

Besides cooperation on the parliamentary level, it is crucial to establish and foster contacts to target groups and to civil society institutions. Such initiatives are already in place, but they are mostly

unplanned. Similar to the cultivation of contacts with parliamentarians, such cooperation should be based on a thorough analysis of the political situation and include structural, historical and cultural processes.

The failure to fully include key institutions that act as national control mechanisms, especially parliament, in the guidelines on budget support should be an important issue in the upcoming green paper. The need to support and improve the quality and transparency of PFM should be connected to a long-term perspective with a stronger focus on strengthening domestic accountability. The European Parliament should make sure that the present study's recommendations are included in the green paper.

More research is needed in non-ACP countries that have a different legal basis (for example DCI countries) to compare practices of ACP budget support and DCI budget support. Within DCI countries it is recommended that the focus be on so called 'bad performers' or countries where provision of budget support has been harshly criticized. This would make it possible to evaluate EC standards for applying eligibility criteria in countries where good financial governance is weak; perhaps even too weak to provide budget support.

9.3 Summary of recommendations

Regarding Parliament:

Identified weakness	Recommendation	Feasibility
The insufficient definition of national control mechanisms and the neglect of parliaments in the EC guidelines	Unambiguous definition of and systematic approach towards strengthening of domestic accountability. The EC is strongly advised to take greater account of parliaments in development work . More specifically, parliaments have to be considered as important actors to strengthen domestic accountability	High
Weak parliamentary resources and capacities to analyse and understand the budget	The introduction of non-partisan, independent and objective Parliamentary Budget Offices (PBOs) with the mandate to offer support in analysing the budget	High (in countries where parliaments are asking for such support) Medium (in countries with low endogenous demand for capacity building)
Lack of transparency and public interest in budgetary issues, low domestic accountability	The introduction and support of public hearings	High (in countries where parliaments enjoy a good reputation and where public hearings are already successfully taking place) low (in countries where public hearings are unsuccessfully taking place)

		and where reputation of parliament and SAI is extremely low)
Inadequate time for scrutiny and limited constitutional rights in the budget process	The introduction of a budget act	Medium-low (legislative process demand-driven, however donors can initiate such processes through parliamentary exchange)
Weak capacities, low incentives and external suggestions, limited insight into possibilities of parliamentary strengthening	Supporting parliamentary exchange	High
Insufficient donor-executive inclusion of parliaments and its effectiveness	Including parliamentary oversight in the PAF	Medium The executive must have control over the potential accomplishment of PAF indicators.
Exclusion of parliaments in key budget support processes, lack of information flow and knowledge of budget support and the negotiated conditionality.	The systematic integration of parliaments in budget support funding processes	Medium the EC has to respect the mandate of the executive, however, if donors raised the issue of parliamentary oversight more systematically it would remind the executive that parliaments are on donor's agenda.
Lack of information flow and insufficient donor attention towards and inclusion of parliaments	an annual or biannual report to parliament covering all information and data on budget support	High (effective donor harmonisation needed)
Low parliament-donor interaction	The creation of parliament-donor platforms	Medium (Donors can initiate such a process, strong parliamentary collaboration needed for success)

Regarding Supreme Audit Institutions:

Identified Weakness	Recommendation	Feasibility
Lack of resources and adequate funding for reform processes	Continued support for and capacity development of Supreme Audit Institutions	High
Weak follow-up of audit findings	The inclusion of the external audit function (especially weak follow-up) of	High

	SAIs in the policy dialogue and the PAFs.	
Weak follow-up of audit findings	CSO tracking of audit finding implementation	High (capacity building for specialized CSOs)
Limited inclusion of SAIs in budget support and lack of information flow	Improve alignment by 1. using national audit reports and 2. by systematically informing SAIs about budget support flows	Medium (reports must have a certain quality) High

Regarding civil society

Identified weakness	Recommendation	Feasibility
Lack of integrating civil society in key budget support funding processes	Inclusion in and consultation prior to important decision making processes	High
Lack of considering CSOs important for effective PFM	Capacity development of agents of vertical accountability such as NGOs and the media with regard to budget scrutiny and audit reports	High (by providing a certain percentage of budget support for such funding)

10 ANNEXES

ANNEX 1: BIBLIOGRAPHY

- DFID (2005): Working with Supreme Audit Institutions. Technical Annex 1: Key Areas and Excellence Factors for Evaluating the Effectiveness of a SAI. Policy Division: How to Note.
- DFID (2008): Managing Fiduciary Risk in DFID bilateral aid programmes. Policy Division: How to Note.
- De Renzio, P. and Wehner, J. (2008): Budget Practices and Procedures in Africa 2008. Collaborative Africa Budget Reform Initiative and African Development Bank.
- Eberlei, W. and Henn, H. (2003): Parliaments in Sub-Saharan Africa: Actors in poverty reduction? German Technical Cooperation Agency, Eschborn.
- Eberlei, Walter (2007a): Accountability in Poverty Reduction Strategies: The Role of Empowerment and Participation. (= World Bank, Social Development Paper, 104). Washington D.C.
- Eberlei, Walter (2007b): Stakeholder Participation in Poverty Reduction. (= INEF Report, 86). Duisburg
- European Commission (2005): EC Budget Support: An Innovative Approach to Conditionality. DG Development.
- European Commission (2007): Guidelines on the Programming, Design & Management of General Budget Support, Tools and Methods Series, Guidelines No.1, AIDCO DEV RELEX.
- European Commission (2008): Budget Support. A Question of Mutual Trust.
- Gerster, Richard (2009): Tanzania: Foreign Governors? http://www.budget-support.ch/downloads/erfa/e/Tanzania/Artikel_Tanzania_Abhaengigkeit_E_b.pdf.
- Hudson, A. and Wren C. (2007): Parliamentary strengthening in developing countries. Final report for DFID, Overseas Development Institute, London.
- IDD and Associates (2006): Evaluation of General Budget Support: Synthesis Report, OECD/DAC, University of Birmingham.
- INTOSAI (1977): Lima Declaration of the International Organisation of Supreme Audit Institutions (1977)
- Kreditanstalt für Wiederaufbau (2009): Erste Ergebnisse der Budgethilfe in ausgewählten Ländern. Gutachten im Auftrag der KfW Entwicklungsbank, Frankfurt am Main.
- Lanser, Piet (2008), La Budgétisation de l'aide: Cas du Burkina Faso (Etude pour l'Initiative africaine de collaboration pour la réforme budgétaire (CABRI) et le Partenariat stratégique avec l'Afrique (PSA), April 2008).
- Leiderer, Stephan and Wolff, Peter (2007): Public Financial Management als Beitrag zu Good Financial Governance. DIE Discussion Paper 10/2007.
- Mfunwa, Mzwanele G. (2006): Strengthening internal accountability in the context of programme-based approaches in sub-Saharan Africa, DIE Discussion Paper 4/2006, Bonn.
- National Audit Office (2008): Providing Budget Support to Developing Countries. Report by the Comptroller and the Auditor General, London.
- OECD (2002a): The OECD Budgeting Database, In: OECD Journal on Budgeting, Vol.1, No.3.
- OECD (2002b): OECD Best Practices for Budget Transparency, In: OECD Journal on Budgeting, Vol.1.
- OECD/DAC (2006a): Harmonising Donor Practices for Effective Aid Delivery Volume 2: Budget Support, Sector wide Approaches and Capacity Development in Public Financial Management. Guidelines and Reference Series.

- OECD (2006b): How does General Budget Support affect ownership and accountability? The Joint Evaluation of General Budget Support 1994-2004: Thematic Briefing Papers.
- OECD (2008): Survey on Monitoring the Paris Declaration: Making aid more effective by 2010, Paris.
- OECD/DAC (2009): Mutual Accountability. Issues Brief 1, June 2009.
- Quist, Ronald E. et. al. (2010): Republic of Ghana Public Expenditure and Financial Accountability 2009. Public Financial Management Performance Assessment Report. Volume I. Central Government. ECORYS. Rotterdam. (unpublished)
- Santiso, Carlos (2005): Budget Institutions and Fiscal Responsibility: Parliaments and the Political Economy of the Budget Process in Latin America. World Bank Institute.
- Secretary of Finance (2009). Dominican Republic Public Financial Management Performance Report. PEFA auto.
- Stapenhurst, Rick (2004): The Legislature and the Budget. World Bank Institute, Washington D. C.
- Stapenhurst, Rick and O'Brien, Mitchell (2008): Accountability in Governance. World Bank Institute.
- Touré, Lahaou (2001): Parliament and the budgetary process, including from a gender perspective. Regional Seminar organized by the Inter-Parliamentary Union of Switzerland.
- Tsekpo, Anthony and Hudson, Alan (2009): Parliamentary Strengthening and the Paris Principles. Uganda case study. ODI and Parliamentary Centre.
- United Nations Economic Commission for Africa (UNECA) (2007): The Role of African Parliaments in the Budgetary Processes. Especially in the Medium Term Expenditure Framework.
- United Nations Conference on Trade and Development (UNCTAD) (2008): Budget Support: A reformed Approach or old wine in new skins? Discussion Paper No.190, October 2008.
- United Nations Development Programme (UNDP) (2009): UNDP Human Development Report 2009.
- Waddell, N. (2008): Strengthening Parliaments in Africa- Improving Support. A report by the Africa All Party Parliamentary Group.
- Wang, V. and Rakner L. (2005): The accountability function of Supreme Audit Institutions in Malawi, Uganda and Tanzania. CMI report
- WB, IDB, GoDR (2005): Dominican Republic Country Fiduciary Assessment. (In five volumes) Volume II: Country Financial Accountability Assessment Report (CFAA). 18 April 2005.
- Wehner, Joachim (2004): Back from the Sidelines. Redefining the Role of Legislatures to the Budget Cycle. World Bank Institute, Washington D.C.
- Wehner, Joachim and Byanyima, Winnie (2004): The Parliament, the Budget and Gender. Handbook for Parliamentarians No.6 published by Inter Parliamentary Union, United Nations Development Programme, World Bank Institute and the United Nations Fund for Women.
- Wehner, Joachim (2006): Assessing the Power of the Purse: An Index of Legislative Budget Institutions, in: Political Studies 2006 VOL 54, 767–785.
- Wehner, Joachim (2007): Legislative financial scrutiny in developing countries. Presentation prepared for the ODI and Africa APPG Series on Parliaments and Development, 16 May 2007.

ANNEX 2: LIST OF INTERVIEWED PERSONS

European Commission:

Name	Unit	Function
Jose Correia Nunes	Economic governance and budget support	Head of Unit
Eric Deschoenmaker	Economic governance and budget support	Policy Desk Officer
Thomas Huyghebaert	Europeaid Co-operation Office	Democracy Support Expert
Corinne Andre	Europeaid Co-operation Office	Democracy Support Expert
Jean Pierre Sacaze	Europeaid Co-operation Office	Democracy Support Expert

European Parliament

Name	Committee	Function
Anna Caprile	Directorate-General for External Policies of the Union	Administrator, Department Policy
Guido van Hecken	Committee on Development, ACP-EU Joint Parliamentary Assembly	Administrator
José Carlos Illán Sailer	Committee on Development, ACP-EU Joint Parliamentary Assembly	Administrator
Raffaele Luise	Committee on Development	Administrator

Burkina Faso:

Name	Institution	Function
Anne Joseph	EC Delegation	Economist
Dramane Sebre	EC Delegation	Economist
Samuel Somnda	INADES Formation, Ouagadougou	Chef de service

Charles Ndalla	CODDE	Chargé des programmes
Mariam Sedogo	Association des femmes Africaines Economistes	President
Ahamadou Diop	Institut Pan Africaine pour le Developpement	Directeur
Claude Wetta	Unité de formation en science économique et gestion	Directeur
Robert Yougbaré	Mediating Africa Consulting	Managing Partner
Bila Gilbert Sedgo	Member of Parliament (CDP)	President of the Commission on Finance and Budget in the National Assembly of Burkina and former Director of the Treasury
Passi Léonard Massimbo	Member of Parliament (CFR)	Member of the Commission on Finance and Budget in the National Assembly of Burkina
Talata Dondassé		Former Minister of Plan and for Finance and National Coordinator of the Strategic Plan for the Development of the National Assembly
Ulla Tawiah	Danish Embassy	Counsellor
Mariam Diop	Danish Embassy	Assistant Head of Programs
Susanne Spets	Swedish Embasssy	Economist
Dieudonnée Badini	Member of Parliament (CDP)	Member of the Finance Commission and former Secretary General of ASCE, Ouagadougou
Soma Baro	Member of Parliament (CDP)	Former president of the Finance Committee of the Parliament, former minister for Water, and former director

		general for SONABEL the state owned power company
Josephine Drabo	Member of Parliament (ADF/RDA)	Vice president of the Finance and Budget committee
Abdourahmane Boli	Court of Auditors	Attorney General
Christophe Compaoré	Court of Auditors	State Commissioner
Daniel Da Hien	Réseau Jeunesse Africaine and President of Burkina and West African Consumer societies	President
Déma Bado	Member of Parliament (ADF/RDA)	Member of the Finance and Budget committee
Otense Ouedraogo	National Treasury	Inspecteur General for the National Treasury
Moise Napong	SPONG, CREDO	President
Maxime Nikiema	RENLAC	Program Manager
Jan Rizema	Embassy of the Netherlands	First Secretary charged with good economic governance
François Zoundi	Government	Minister for the Budget
Dayo Tankien	African Development Bank	Macroeconomist
Jean Marie Vianney Dabire	African Development Bank	Macroeconomic Consultant

Mamadou Guira	Regulatory Authority for Public Tenders (ARMP)	Permanent Secretary
Bamory Ouattara	IMF Office	Economist and Statistician
Ousmane Jean Pierre Siribie	Agency for Supreme State Control (ASCE)	Secretary General
Marie Louise Ouedraogo	Agency for Supreme State Control (ASCE)	Director of Partnerships and Internships
Malik Sawadogo	CIFOEB	President of the Board of directors
Siméon Bontogo	CIFOEB	Executive Director
Doanio Herman	CIFOEB	Programs Manager
Barrister Sankara Bénéwendé	S. Member of Parliament (UNIR/PS)	President of the Opposition
Sabine Ouedraogo	Court of Auditors	Preident of the Chamber for the Audit of State Operations
Silwé Kaphalo	Centre pour la Gouvernance Démocratique CGD	Program manager for the budget initiative

GHANA:

Name	Institution	Function
Hon. Amadu, Seidu (Alhaji)	Parliament, NDC	Member of Parliament, Public Accounts Committee, Committee on Gender and Children, Works and Housing
Akalbila, Ibrahim	Ghana Trade and Livelihoods Coalition	Director
Arkhurst, Samuel	Ministry of Finance and Economic Planning	Budget Division
Hon. Arthur, Francis Kojo	Parliament, NDC	Member of Parliament, Finance Committee, Local Government and Rural Development
Hon. Avedzi, James Klutse	Parliament, NDC	Member of Parliament, Finance Committee, House Committee, Health Chairman of the Finance Committee
Awuah, Jocelyn (Mrs.)	Ministry of Finance and Economic Planning	MDBS Division
Azeem, Vitus	Ghana Integrity Initiative (Transparency International)	Executive Secretary, former budget policy analyst of ISODEC
Brempong, Richard Nuamah (Dr.)	Ghana Audit Service	Budget Division
Hon. Forson, Cassiel	Parliament, NDC	Member of Parliament, Member of Finance Committee

Dessus, Sébastien C.	World Bank	Lead Economist, Chair MDBS Group
Draman, Rasheed (Dr.)	Parliamentary Centre	Director, Africa Programs
Ghartey, Ato (Prof)	Consultant	Co-author of study on budget support (ODI / CDD 2007)
Hon. Kan-Dapaah, Albert	Parliament, NPP	Member of Parliament, Public Accounts Committee, Subsidiary Legislation Committee, Lands and Forestry, Defence and Interior Chairman Public Accounts Committee Former Minister
Ludwig, Harriet	German Embassy Accra	First Secretary, Head of Department for Economic Cooperation and Development
Mandouze, Baptiste	Delegation of the European Commission in Ghana	Programme Officer Macro-Economic and Trade Section
Nguyen-Thao, Daniel (Dr.)	Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	Head of Governance Programme
Hon. Ohene-Konadu, Gifty	Parliament, NPP	Member of Parliament, Committee on Gender and Children, Trade, Industry and Tourism
Okai, Valeria B.	Delegation of the European Commission in Ghana	Programme Officer, Macro-Economic and Trade Section

Hon. Osei, Anthony Akoto (Dr.)	Parliament, NPP	Member of Parliament, Finance Committee, Defence and Interior
Sackey, Veronica	Ministry of Finance and Economic Planning	Head, Multi Donor Budgetary Support
Schön, Helmut (Dr.)	Kreditanstalt für Wiederaufbau (KfW)	Country Director

Dominican Republic:

Name	Institution	Function
Irene Horejs	European Commission Delegation	Head of Mission
Francisco Carreras	European Commission Delegation	First Counselor, Head of Financing & Contracting
Diana García	European Commission Delegation	Economy and Politics
Marta Ramírez	European Commission Delegation	Media and CS
Begoña Bravo	European Commission Delegation	Head of Sector, Quality management for education and training, Europeaid
Hans-Peter Debelius	German Development cooperation (GTZ)	Country Director
Miguel Angel Encinas Encinas	AECID	Coordinador general de la

Carlos Pimentel	Participación Ciudadana	Cooperación española Director of Budget Transparency
Roby Senderowitsch	World Bank	Country Director
Jesse Chávez	Centro Montalvo/Bonó	Programme Manager : Political Influence
Octavio Figueroa	Centro Montalvo/Bonó	Vice-Director
Rafael Gómez	General Comptroller	General Director
Omar Camaño	General Comptroller	Director of Audit
Romeo Ramlakhan	Planning and Development Unit, CoD	Director
José Rijo	PNUD Program of Institutional Strengthening	Coordinator
Anyarlene Bergés	UNDP	Head of Democratic Governance
Fernando Fernández	National Treasury	Director of Programming and Financial Evaluation
Miguel Hernández	Secretary of Economy, Planning and Development	Director General of Public Investment
Carlos Duval	Secretary of Economy, Planning and Development	Responsible for Investment Programming and Monitoring to the General Direction

Pedro Troncoso	Secretary of Economy, Planning and Development	Responsible for the Productive Development Unit
Edwin Ruiz	Clave Digital	Economist
María Felisa Gutiérrez	Secretary of Finance	Sub Secretary of the National Treasury
Gemma Bardagí	UN-INSTRAW	Research Advisor, Women and Politics
Licelott Marte	Chamber of Accounts	President
Roberto Martínez	Chamber of Accounts	Director of External Relations
Manuel Labrado	Inter-American Development Bank	Country Director
Ricardo Koenig	ADOEXPO (Dominican Association of Exporters)	President
Dionís Sánchez	Budget Committee, Senate	President, PLD
Charles Mariotti	Budget Committee, Senate	Member, PLD
Noe Sterling	Budget Committee, Senate	Member, PRD

Ramón Cabrera	Budget Committee, CoD	President, PLD
José Santana	Budget Committee, CoD	Vice-president, PRD
Juana Vicente	Budget Committee, CoD	Member, PLD
René Polanco	Budget Committee, CoD	Member, PLD
Félix Castillo	Budget Committee, CoD	Member, PLD
Dolores Escovar	Sub Secretary of International Cooperaton (SEPD)	Coordinator of International Cooperation Analysis Unit
Teonilde López	Sub Secretary of International Cooperaton (SEPD)	Official in charge of the Paris Declaration
Sergia Galván	Colectiva y Mujer	President

ANNEX 3: RESEARCH FRAMEWORK

I Parliament:

*The **role and effectiveness** of the national parliament, and its organs, in **monitoring the use of budget support funding**;*

1. Do Parliaments play an important role in keeping the executive arm of government accountable for the way in which it utilises public resources?
2. What are the domestic legal procedures and prudential rules in the budget policy in the studied country?
 - How great is the role assigned by the Constitution to the Legislature over budgetary matters? Is the parliament making use of its constitutional powers? If not, why?
3. Parliamentary involvement at various budget stages: In which stages⁴⁸ of the budget cycle implementation are parliaments involved and how?
 - **Ex ante Preparation** (drafting) of the budget: How is the role of the parliament in the pre-budget debate on priorities and fiscal policy defined?
 - Does a legislative committee (or committees) hold public hearings on the budget proposal in which testimony from the executive branch and the public is heard?
 - To what extent have parliaments/committees influence in setting budget priorities?
 - **Legislature:** Have Parliaments, according to the constitution/law the right to amend the budget?
 - If yes, what specifically is the parliament entitled to do? (e.g. 'cuts only'- only reducing existing items but not shifting of funds, increase items or introduce new ones; no net change in total deficit/surplus up to unfettered powers of amendment)
 - In practice, does the legislature generally approve the budget as presented by the government?
 - What are other means of the parliament to control the use of the budget (to check that spending decisions are in line with national priorities/PRSP/PAF)?
 - **Ex-Post: Implementation:** To what extent does parliament scrutinize spending and revenue details to see that they are consistent with stated government goals?
 - What are the options for parliament to intervene if e.g. funds are shifted to purposes other than those that were approved or any irregularities in budget spending are observed?
 - **Evaluation and Audit:** What is the institutional setting for evaluating and auditing the government's performance in implementing the budget and holding the government to account (SAI, PAC, hearings in parliament)?
 - Is this setting functioning well, so that financial dishonesty and irregularities can be found?

⁴⁸ **Aim is** to study the power to influence, scrutinize, amend, adopt or reject the executive's budget proposals (**ex ante**) and the power to monitor budget implementation and hold the executive to account for using funds unauthorized and for value for money achieved (**ex post**).

- What actions can be/are taken if corruption or financial irregularities are detected?
- In practice, to what extent is there an effective follow up of criticisms and recommendations made by auditors? To what extent are parliaments' recommendations implemented? If not, by which factors is such a follow up restricted?
- What means (other than the audit findings) do the parliamentarians/committees have to evaluate and monitor areas of government activity in detail, (to see if planned outcomes have been achieved and that these are consistent with policies and goals agreed with government, e.g. CSOs, decentralized control patterns, MP's constituencies)?

Constraints: What do the parliamentarians consider the main constraints for them to play an important role in the monitoring of the use of budget spending (in each phase of the budget cycle)?

Assessment: How would you rate the parliament's role in the budget process? What are the main positive and negative findings? How do you assess the role of parliament in reducing fiduciary risks?⁴⁹

4. Effectiveness: How effective is the role played by the parliament in monitoring the budget, what are the main constraints in this respect?

- **Time for scrutiny:** Is the budget presented to the parliamentarians/committee(s) in a timely way? How much time is parliamentarians/committees in general given to analyse the budget before approving it?
- **Influence of Donors:** Are Donors sitting in the driving seat? How big is the influence of Donors by the formulations of budget? Are the parliamentarians' recommendations taken account of with equal seriousness as those of financial institutions?
- **Resources available:** What kind of resources or support is available for the parliamentarians in the budget process?⁵⁰ Do parliamentarians have the skills to understand the budget/audit findings?
 - What are the main constraints in this respect?
 - Do the Parliaments have budget committees? How are they organized? (one committee, several specific committees) What are their functions?
 - How effective are those committees?

Constraints: What do parliamentarians consider the main constraints for parliaments to be more efficient in the budget process?

Assessment: How would you rate the effectiveness of the parliament in the budget process? What are the main positive and negative findings?

5. Internal Accountability: What accountability (domestic) structures and mechanisms do exist in the studied country? Is (external) accountability to donors in a balanced relationship to the (internal) accountability towards national institutions (e. g. Parliaments, CSOs)?

⁴⁹ The risk that funds are not used for the purposes intended, not properly accounted for or do not achieve value for money.

⁵⁰ Capacity: Institutional support, parliamentary budgetary office, research unit, training, expert advice
Human resources: adequate number of staff (professional, support, committee staff); Financial resources: own budget, remuneration; Other resources like: office space, access to internet, technical support.

- If there is a Medium Term Expenditure Framework (MTEF), what is the parliaments' role in the MTEF process?
 - Is there any interaction or consultation between parliaments and their constituencies during the budget process?
 - Does parliament convey information regarding the budget to the regions and districts of the country, incl. lower levels of government?
6. Civil Society: What role does civil society play in the oversight of public budgeting (incl. audit)?
- How strong is civil society in the studied country (CSOs, Media, other Interest groups)?
 - To what extent is there civil society/parliament collaboration? What is the main content of this collaboration (CSO budget training for legislature, CSOs using parliament as a channel for influencing budgetary decision-making, CSO participation in auditing public finances etc.)?
 - Do the media report on parliamentary budget processes (budget appropriation, audit/PACs findings)?
 - How do civil society actors (CSOs, Media etc.) rate the work of parliament and the SAI in the budget process?

II. Other State Bodies or Supreme Audit Institutions

*The **role and effectiveness** of **any other state bodies** in monitoring the use of budget support funding (e.g. Supreme Audit Institution);*

7. What is the role of audit institutions in monitoring the use of budget expenditures?
- **Model:** What is the countries' external audit model (Westminster, judicial or Napoleonic, Board or Collegiate model)? Have there been any reforms in the external audit system recently? What is the legal framework of the SAI?
 - **Mandate:** How and through which institutions is the auditing in the studied country organized? Is there a clear mandate for the SAIs (audit act)? What does it contain?
 - **Budget support:** Is the SAI able to scrutinize the spending of budget support (or only budget in total)? Is the SAI able to detect any misuse of budget support? Is the SAI preparing an extra report on the spending of budget support? If not, would it be able to do so? If yes, does this report entail recommendations?

Interaction with parliament: How is the interaction between the parliament and the SAI defined (interaction at which stage in audit cycle)? Is there a close collaboration? What factors prohibit a better collaboration? Does the legislative hold the capacity to understand the audit findings?

8. Effectiveness: How effective are national audit institutions in monitoring the use of budget expenditures?
- Is the auditor independent of the bodies being audited (especially the government)? Can his (SAI, AG) work be seen as objective? Who has put the auditor (AG) in place (election, executive, role of parliament)?
 - Is there any interference by executive government (e.g. on the choice of issues being audited)?
 - What kind of audits is the SAI carrying out (Financial audit, Compliance Audit, value for money/performance audit)?
 - What are the strengths and weaknesses of the model being used?

- **Access rights:** Does the SAI have access to all relevant documents and on time? Are there problems or resistance regarding getting access to documents?
- **Reporting:** How is reporting to the parliament organized? Is the SAI director (AG) able to report directly and frequently to the parliament without interference from the politics of the executive government (how often, before they report to executive)? Are these reports publicly available?
- **Accountability to others:** Is the SAI itself being audited by an independent auditor? What role do donors play in this respect? Based on experience, how prone to corruption is the audit of the SAI?
- **Resources:** Is the staff recruited through an open and transparent system? How well is the staff remunerated? How well is the SAI equipped with financial resources? Is there an adequate number of staff employed? Is the staff adequately qualified and trained? If not, what are the major problems in this respect?
- **Audit Methodology:** What audit methodology does the country have in place (national standard, INTOSAI standards, other)?
- **Timeliness:** Are the SAI reports delivered in a timely manner? (if there are problems, is it due to lack of resources of the SAI or due to other party involvement not preparing the financial statements when needed).
- **Monitoring and follow up:** Can the SAI require audited bodies to implement audit recommendations and hold them accountable? Does the SAI monitor compliance by audited bodies and reports again if they are not acting on recommendations?
- **Donors:** Is off-budget funding of donors considered a problem for effective auditing of the SAI?
- **Availability of SAI reports:** When are the SAI reports usually available?

Constraints: What do the SAI representatives consider the main constraints for them to be more effective in auditing the use of budget spending?

Assessment: How would you rate SAI's effectiveness in the budget process? What are the main positive and negative findings?

III Donor's examination of national control mechanisms⁵¹: *The extent to which decisions by the country's donors to initiate, or continue, budget support programmes are influenced by examination of national control mechanisms.*

1. What are donor's eligibility criteria for budget support?
2. To what extent are donors attaching importance to parliament's participation in the policy dialogue (performance-assessment procedures)?
3. On what basis is the analysis of the public financial management being done (PEFA etc.)?
4. To what extent has there been fiduciary risk assessment prior to initiating/before continuing GBS?
5. Is an upgrading of internal control systems on the PFM reform agenda?
6. If yes, what does it include (SAI, MoF, parliament, others)?
7. To what extent has there been donor examination of national control mechanisms before initiating budget support to the studied country?
8. To what extent do donors assess the role of parliament in the policy dialogue and priority setting of the PRSP?
9. To what extent has there been donor examination of national control mechanisms once budget support was already agreed on (prior to the decision whether to continue GBs or not)?
10. If such examinations have been taking place, has there been a special focus on the role of parliament?
11. If such examinations have been taking place, has there been a special focus on the role of the media, CSOs, local governments?
12. Have there been cases when budget support has been decreased or stopped due to insufficient national control mechanisms?

⁵¹ EU (Guidelines on the Programming, Design & Management of General budget Support)

Eligibility criteria:

1. A well defined national or sectoral policy and strategy;
2. A stability-oriented macroeconomic policy; and
3. A credible and relevant programme to improve public- finance management.

The commission administers this condition (public- finance management) on a case-by -case basis because there are no recognized international standards and because improving the management of public finances is a development objective in its own right.

Complementary support to the budget support operation: When the upgrading of internal control systems is on the pfm reform agenda, the EC can provide finance for an audit limited to an analysis of the internal control systems since this can be a useful tool for capacity development.

IV Budget support conditionality:

The extent and effectiveness of relevant budget support conditionality, or relevant accompanying measures, in influencing (and improving) national control mechanisms⁵²

1. To what extent is there budget support conditionality targeting the improvement of national control mechanisms?
2. To what extent has budget support policy dialogue/conditionality improved a) the transparency of public spending b) the participation of the legislature and c) the participation of civil society?
3. Analyzing the Policy Assessment Framework (PAFs) of the studied country, how many indicators refer to public financial management? How many indicators refer to the role of parliament (SAI, CSOs) in the budget process?
4. If there are such indicators, have they been achieved in the past?
5. To what extent have there been additional/accompanying measures or special projects of donors who give budget support focusing on improving the PFM in general or on improving the capacity of parliaments in particular?
6. If such projects exist, what do they focus on (strengthening the legal and political conditions in the country, promoting the functional capacity of parliaments, strengthening interaction with other actors etc.)?
7. If such projects exist, are they also targeting the capacity building of CSOs (working on the ground) or local governments?
8. How effective have those accompanying measures/projects been in the past? What are crucial factors in this respect?

⁵² Paris Declaration: donors resolved to “take far-reaching and monitorable actions to reform the ways we deliver aid” (par. 1) (...) with the distinct goal of “enhancing donor’s and partner countries’ respective accountability to their citizens and parliament for their development policies, strategies and performance (par.3).

UNECA report (the role of African parliaments in the budgetary process): The ability of African Parliaments to play their budgetary role well is further undermined by the large share of national budgets that is donor funded. Moreover, this contribution, increasingly in the form of general budget support instead of the former off-budget, project-based assistance, means that the donor community will have a great influence on deciding the budgetary composition in many African countries. This approach to providing aid, although an improvement in some ways, inadvertently undermines government’s internal accountability and leaves little room for genuine parliamentary participation in budgetary decisions.

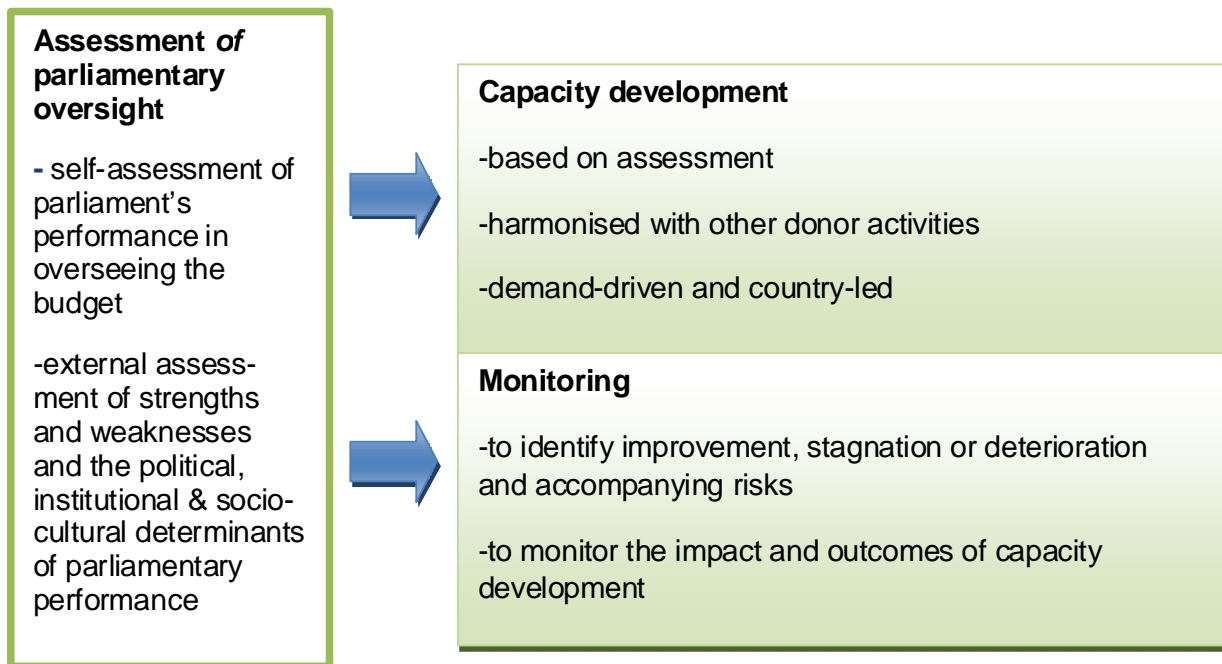
ANNEX 4: GUIDELINES FOR EFFECTIVE PARLIAMENTARY STRENGTHENING

GUIDELINES FOR EFFECTIVE PARLIAMENTARY STRENGTHENING

- Respond to demand: Parliamentary strengthening should be demand-led, and responsive to local needs, rather than externally-driven.
- Address causes: Parliamentary strengthening should seek to address the causes of poor parliamentary performance, rather than addressing solely the symptoms.
- Take account of context: Parliamentary strengthening must take full account of the local context – including the political context – within which parliaments function.
- Involve recipients: Parliamentary strengthening should involve a range of local organizations, and interest groups, including opposition MPs and parties as well as members of the government.
- Focus on issues: Parliamentary strengthening should use particular issues such as budget oversight, anti-corruption, HIV/AIDS and poverty reduction as vehicles to improve parliamentary performance, rather than focusing solely on parliamentary procedures.
- Coordinate and deliver appropriate activities: Agencies involved in parliamentary strengthening must do more to coordinate their work, and to ensure that their activities are appropriate to the objectives of parliamentary strengthening. Think twice before setting up or supporting study visits and seminars.
- Provide long-term sustainable support.

Source: Hudson and Wren for ODI 2007.

ANNEX 5: ASSESSMENT OF PARLIAMENTARY OVERSIGHT



ANNEX 6: PRESENTATION HELD AT THE EUROPEAN PARLIAMENT COMMITTEE ON DEVELOPMENT

Monitoring budget support in developing countries

Svea Koch
Dr. Pedro Morazán
(project leader)
Institute Südwind



Monitoring budget support in developing countries

▪ **Four research questions:**

1. The role and effectiveness of parliaments in monitoring GBS
2. The role and effectiveness of audit institutions in monitoring GBS
3. The extent to which decisions by donors to initiate, or continue, GBS are influenced by examination of national control mechanisms
4. The extent and effectiveness of GBS conditionality or accompanying measures in influencing and improving national control mechanisms



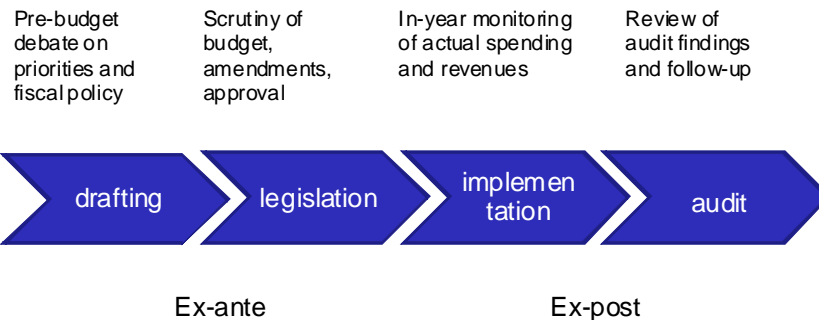
Monitoring budget support in developing countries

- **Case countries:** Ghana, Burkina Faso, Dominican Republic
- Their national control mechanisms suffer from considerable weaknesses.
- Their political situation, public financial management and especially their external audit systems differ
- Countries where budget support funding makes up a big share of the national budget (**Burkina Faso, Ghana~ 30%**) and where budget support is rather insignificant (**Dominican Republic~4%**) .



Parliament

The Potential Budgetary Role of Parliaments



Parliament

	Ghana	Burkina Faso	Dominican Republic
Ex-ante stage of the budget	Weak (primarily due to strong presidential system)	Weak (very limited democratic structures, limited amendment powers)	Weak (however, amendment powers increased with new constitution)
Ex-post stage of the budget	Improving (improved Timeliness of SAI reports and a more active PAC, public hearings)	Weak (overwhelming majority of parliamentarians are allied to the ruling party)	Weak (very limited follow up on audit findings)
Effectiveness	Weak (Four weeks to analyse budget proposal, no budget bill, limited resources or support structures)	Weak (Three months to analyse budget, no budget bill, limited support structures and resources)	Improving (3 months to analyse budget, advanced legal framework, establishment of technical support unit)



Parliament

- Parliaments are not yet systematically integrated in budget support processes like the policy dialogue or annual reviews.
 - Information flows regarding budget support are inadequate. In Burkina Faso parliamentarians have to ratify all loan agreements, however, this takes up 75% of their time.
- Putting aid on budgets is an important first step towards increasing parliamentary scrutiny of aid. However it does not automatically improve the budget oversight role of parliaments in the absence of a coordinated and harmonised donor approach that systematically supports and includes parliaments.



Supreme Audit Institutions

	Ghana	Burkina Faso	Dominican Republic
Independence	Weak (appointed for limited period of time and can be removed by President)	Weak (appointed and removed by president)	Improving (Mandate to appoint CoA has shifted to Congress)
Timeliness and quality of audit reports	Improving (The report for the 2008 budget year was the first one submitted to parliament within the 6 month time limit)	Improving (the report for 2009 is under preparation and the one for 2008 was published in 2009)	Weak (in the last 3 years the legislative just mentioned the audit report about budget execution of 2006)
Resources	Weak (inadequate funding and staff, budget advised by Ministry of Finance)	Weak (The CoA suffers from a shortage of qualified personnel and adequate funding)	Weak (CoA reform process lacks funding, Lack of required high-qualified personnel)
Follow-up and implementation of audit findings	Follow-up: Improving but Implementation: weak	Weak	Weak



Supreme Audit Institutions

- SAIs are not adequately integrated in the budget support process. In all case study countries they are not systematically informed about ODA and budget support inflows.
- Overall, GBS has increased the use of national audit systems and decreased parallel audit mechanisms.
 - Whereas in Ghana the audit reports of the SAI are used by donors for the yearly review of budget support, this is not yet the case in the Dominican Republic
- Internal audit institutions seem to attract less donor support than SAIs



Civil Society Actors

- Actors of civil society (NGOs, Media etc.) are strengthening their role in budgetary oversight and have an important watchdog role in countries where PFM is weak.
 - Budget tracking, social audits, citizen report cards, cooperation with parliament
- The improvement of national control mechanisms and the development of internal accountability rely on synergy effects deriving from the active involvement of parliament, SAIs, civil society actors and the general public



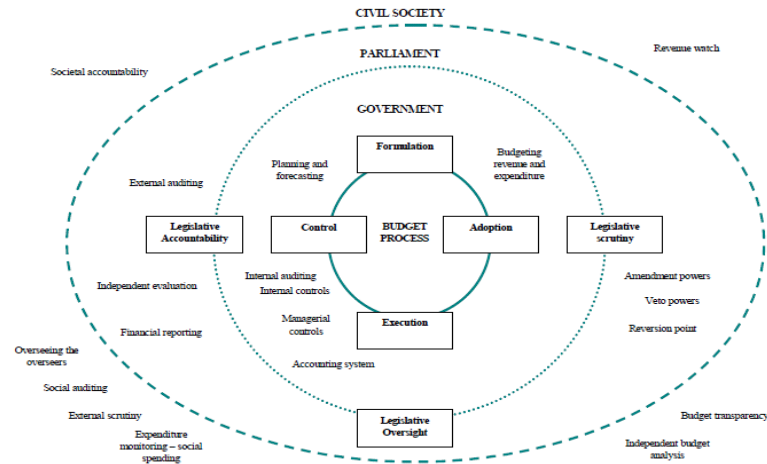
Donor assessment of national control mechanisms

- A **PEFA** assessment was conducted in all three countries. The fact that parliaments and SAIs scored badly did not seem to have any influence on the decision to provide or deny budget support.
 - Dynamic interpretation of eligibility criteria
 - No direct link between PEFA and GBS eligibility
- The **EC Guidelines**: apart from the PEFA framework, the Guidelines do not call for a mandatory assessment of national control mechanisms. The definition given for internal control mechanisms is insufficient to the extent that it does not explicitly include parliaments, SAIs or civil society actors.



Donor assessment of national control mechanisms

Accountability cycle of the budget process



Source: Santiso 2005

Donor conditionality and accompanying measures

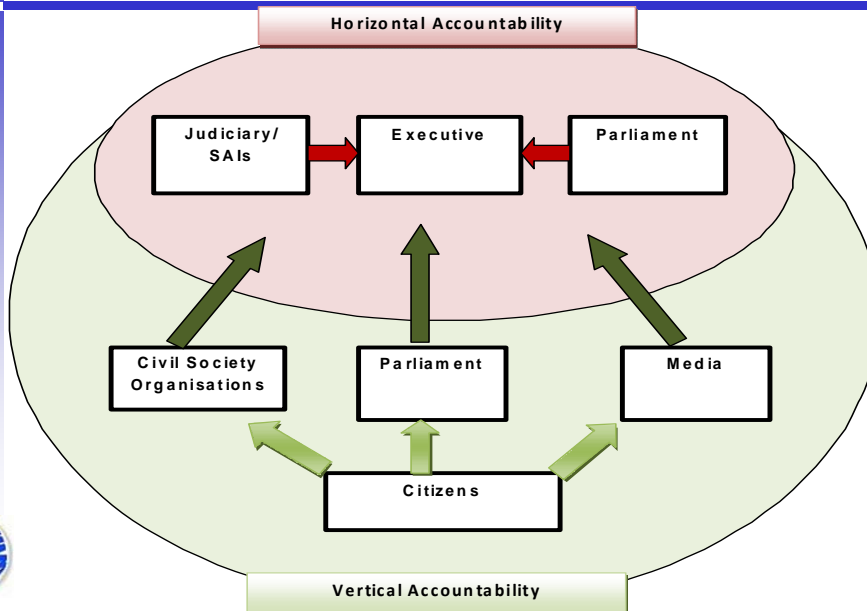
- **PFM and its reform is high on donor's agenda** in all countries studied ⇒ conditionality and accompanying measures did have **positive effects** on PFM.
- Donors have been engaged to some extent in providing capacity building for parliaments but more so in providing assistance to SAIs. The EC has so far not made a name for itself in terms of parliamentary strengthening.
- Budget support funding and donor funding of accompanying measures targeted at improving domestic accountability are imbalanced.

Donor conditionality and accompanying measures

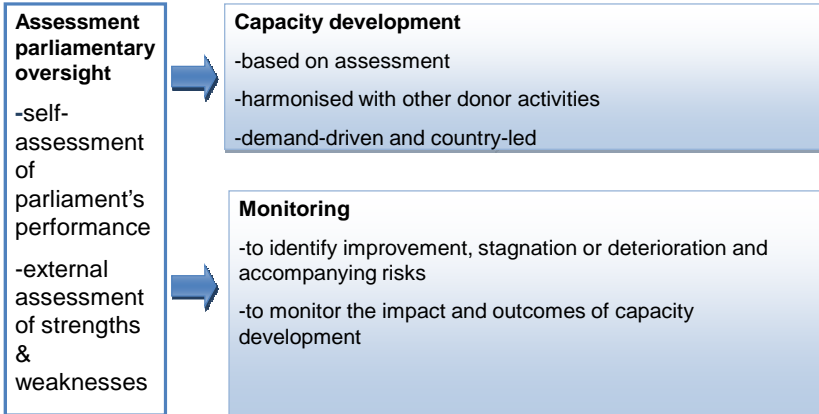
- The impact GBS had on domestic accountability is considerably weaker and is still the weakest link in PFM for two main reasons:
 - donor conditionality and accompanying measures still focus largely on administrative and technical aspects of PFM, while strengthening of parliament, independent media and civil society only plays a marginal role
 - there are no short-term solutions to improving domestic accountability and the shift to GBS will not automatically reinforce domestic accountability without real political and democratic change which allows actors and institutions to assume new roles and without a clear donor commitment on the strengthening of national control mechanisms.



EC Guidelines should include a clear and holistic definition of national control mechanisms



Systematic assessment and monitoring of national control mechanisms, especially parliament.



Recommendations

- **The EC should better balance budget support funding and capacity development for key institutions that act as national control mechanisms.**
 - the EC should consider making the **upgrade of national control mechanisms mandatory** and reserve a certain percentage of budget support (3-5%) for strengthening agents of vertical accountability in all budget support receiving countries.
- **Focus on Parliaments:**
 - Including parliamentary oversight in the PAF might be a worthwhile option
 - Systematically integrate parliaments and SAIs in budget support funding processes
 - Annual or biannual reports to parliament / The creation of the parliament-donor platform



Recommendations

- To the **European Parliament**:
 - The European Parliament **should include the issue of budget support and parliamentary budget oversight** in the dialogue with parliaments of ACP countries within the framework of the joint **EU-ACP Parliamentary Assembly** and with the assistance of the ***Office for Promotion of Parliamentary Democracy (OPPD)***
 - The European Parliament should make sure that the present study's recommendations are included in the upcoming green paper on budget support.



DIRECTORATE-GENERAL FOR EXTERNAL POLICIES

POLICY DEPARTMENT

Role

Policy departments are research units that provide specialised advice to committees, inter-parliamentary delegations and other parliamentary bodies.

Policy Areas

Foreign Affairs
Human Rights
Security and Defence
Development
International Trade

Documents

Visit the European Parliament website: <http://www.europarl.europa.eu/studies>

