Beyond Budgetary Support, Economic Growth and Absolute Poverty

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ABSTRACT *The latest fashion in a sequence of global interventions by donors, designed to make a difference to the lives of poor people is the use of General or Direct Budgetary Support mechanisms. These have emerged at the start of the 21st century as the increasingly dominant mode of desired aid delivery for many donors in the African context. However, this paper argues that such an approach to 'development', particularly when combined with an understanding of poverty largely as an absolute concept, will have damaging effects on the lives of the poor and marginalised across the continent. The time is ripe for a new global agenda that seeks to place as much emphasis on equity as it does on economic growth.*

> 'Sweden will release before the end of August an amount of 11.5 billion shillings (about 11.97 million US dollars) as budget support for Tanzania, says a press statement from the Swedish Embassy available here on Monday. According to the statement, the amount is the annual contribution by Sweden to the Poverty Reduction Budget Support Programme (PRBSP), which is sponsored by 11 cooperating partners, among them all the Nordic countries'
>
> (Xinghua , China, August 19, 2002)

> 'Uganda is to receive 1.5 billion-US dollar package of budgetary support over the next three financial years beginning from July 1, 2003, the Ugandan Ministry of Finance has announced. "Donor budget support pledges (including debt relief) are 509 million dollars for 2003/2004, 507 million dollars for 2004/2005 and 513

> million dollars for 200/2006," Secretary to the Ministry of Finance permanent secretary Christopher Kassami was quoted by Wednesday's New Vision newspaper as saying'
>
> (Xinghua, China, May 21, 2003)

Global agreement on the Millennium Development Goals (MDGs), the shaping of Poverty Reduction Strategy Papers (PRSPs), and the belief that it is indeed possible to eliminate poverty have all helped to pave the way for the introduction of budget support mechanisms as the increasingly dominant new modality of aid at the start of the 21st century. As the above two quotations emphasise, budget support programmes are now involving substantial numbers of donors working together in a co-ordinated manner, and are providing increasingly large amounts of financial assistance to governments across Africa.

Amongst the most vehement exponents of this approach has been the UK's Department for International Development (DFID). DFID is now, for example, working towards a situation where some 75% of its allocation of aid to African countries will be in the form of budget support, although alternative forms of aid delivery are likely to continue to dominate in other parts of the world (see for example DFID, 2001a). In 2000 DFID thus committed itself to budget support over three years of some £75 million for Malawi, £63 million for Rwanda, £40 million for Mozambique, £40 million (over two years) for Ghana, and a further package for Uganda (DFID, 2001b, Annex B). In the three years up to 2002/03 budget support and other forms of programme aid accounted for about 15% of DFID's total bilateral aid programme, and DFID's annual Departmental Report for 2004 explicitly acknowledges that 'When circumstances are appropriate, we remain committed to moving away from financing individual projects towards providing assistance directly to partner government budgets' (DFID, 2004, p.117).

This paper argues that although budget support is often well-intentioned, it is fraught with difficulties that are insufficiently acknowledged by donors. It contends that budget support cannot make a significant impact on poverty, because it is derived from a rhetoric that pays insufficient heed to issues of social equity, difference and place. In essence, budget support is flawed because it is designed to enable efficient delivery of financial resources in support of a model of development premised on definitions of absolute poverty and a belief that this can be eliminated through economic growth. The paper begins with an overview of the context within which this rhetoric has emerged, and it then provides a brief critique of the 'economic growth – absolute poverty' model. This is followed by an analysis of the reasons why donors have recently changed their approaches to poverty reduction and have sought to adopt budget support mechanisms. Problems with this approach are elucidated, before a final section advocates a shift in donor focus from dealing with symptoms of poverty to a concentration on their causes.

The contexts of development

The practices of aid disbursement have varied significantly over the last half century, just as have the dominant theories designed to understand or explain the complex notion of 'development'. Development practice and theory have nevertheless usually not been synchronous in their articulation. At times, changes in practice have taken place directly as a result of shifts in wider development thinking, whereas on other occasions it has taken time for the academic community to interpret and reflect on important changes that have taken place in the policy arena. Histories of the 'development process' abound (see for example Escobar, 1995; Hettne, 1995; Burnell, 1997; Potter *et al.*, 1999), but few authors have yet engaged with the dramatic influences that budget support mechanisms are beginning to have across the African continent (although see Burnell, 1998). Desai and Potter's (2002) recent edited overview of development studies, for example, finds no place for 'budget support ', general or otherwise, in its index, and searches across a range of journals likewise find scant reference to the subject (although see Nielsen, 2001; Kempe, 2004). Even Osborne's (2002) swingeing criticism of Overseas Development Assistance (ODA) fails to include a rigorous analysis of the likely influences of the emerging mantra of budget support mechanisms on 'developing countries', preferring to concentrate instead on the negative relationships between aid and growth in his advocacy of the free market and the need for open trade relationships.

Despite real term declines in ODA during much of the 1990s, member countries of the Development Assistance Committee (DAC) increased their assistance by 7% in real terms from 2001 to 2002, and then again by a further 3.9% between 2002 and 2003 (http://www.oecd.org/document/22/0,2340,en_2649_33721_31504022_1_1_1_1,00.html accessed 1st June 2004). According to preliminary figures, total DAC ODA reached some $68.5 billion in 2003, the highest level ever in both nominal and real terms. The ways in which sums of this amount are disbursed, and their effects on national economies in the poorer countries of the world, are therefore of very considerable significance for the lives of poor people.

In his useful overview of the history of aid, Burnell (2002) has emphasised the criticisms of most forms of aid by radical social scientists in the 1970s, and then also the challenges to aid that arose from the neo-liberal agenda of the 1980s. Budget support can be seen as a logical outcome of the series of changes in donor policy that emerged during the 1990s, initially associated with the so-called 'Washington Consensus' (see Williamson, 1990). Despite substantial criticisms of Williamson's formulation of the sorts of reforms that he thought people in Washington were advocating for Latin America in the late 1980s (see Naím, 2000), many of these ideas came to dominate the thinking of institutions such as the International Monetary Fund (IMF) and the World Bank during the 1990s (see Stiglitz, 2002). Subsequent advice given to states eager to partake in the benefits of an increasingly 'globalised' world focused largely on the three principles of macroeconomic discipline, a market economy and openness to the world. Regardless of Williamson's originally quite cautious and regionally specific focus, these ideas took on a life of their own, and began to dominate much of the post-Cold War 'transition' policy formulation associated with economic reform in eastern Europe and the former Soviet Union. The rhetoric of development aid came to focus largely around the much criticised notion of Structural Adjustment Programmes (SAPs) (see for example, Mohan *et al.*, 1999). In 1996, concerns in the IMF and World Bank over rising levels of global debt necessitated a rethink of policy, and the Highly Indebted Poor Countries (HIPC) initiative (http://www.worldbank.org/hipc/about/hipcbr/hipcbr.htm accessed 1 June 2004) was launched, with the twin intensions of reducing the burden of external debt, and also of placing debt relief within the overall framework of poverty reduction. By the end of the 1990s, SAPs were no longer in favour, and the language of aid came to revolve around the introduction of Poverty Reduction Strategy Papers (PRSP). At the heart of the PRSP process is the aspiration for the governments of poor countries to develop unified strategies in collaboration with a diversity of stakeholders, so that their economic and political structures may indeed concentrate on the elimination of poverty. Significantly, the collapse of the Soviet Union in the late 1980s had within a decade enabled overtly political issues to be included within this neo-liberal development agenda. To the economic agenda of the free market had been added the political consort of liberal democracy (Pickles and Unwin, 2003).

This heady mix of mantras, culminated in the Millennium Summit of September 2000, at which the global community committed itself to the eight Millennium Development Goals, each with a set of targets to be achieved by 2015 (http://www.un.org/millenniumgoals/ accessed 1st June 2004). Currently, it is these goals that dominate the rhetoric and reality of global development policy, with the expectation that they will be achieved through the PRSP process and supported by the appropriate allocation of ODA. All 191 members of the United Nations have signed up to these goals, and so donors are at least as responsible for their delivery as are recipient governments. It is within this context that donor governments are increasingly turning to budget support mechanisms in their aspiration to maximise the beneficial influence of their ODA.

Absolute poverty, economic growth and the role of donors

Whilst many donors were already moving towards a new framework for their ODA in the late 1990s, the Millennium Development Goals provided an organising principle around which these efforts could crystallise. This process is archetypically represented by the approach adopted by the UK's Department for International Development (DFID) following the election of a new Labour government in 1997. Just over six months after the election, DFID had produced the first of two White Papers outlining the twelve strands of its new development policy under the ambitious title of *Eliminating World Poverty: a Challenge for the 21st Century* (DFID, 1997). This highlighted the challenge of development in the following words:

> 'We shall
>
> - Refocus our international development efforts on the elimination of poverty and encouragement of economic growth which benefits the poor. We will do this through support for international sustainable development targets and policies which create sustainable livelihoods for poor people, promote human development and conserve the environment'
>
> (DFID, 1997, p.8)

Although the emphasis on sustainability in this assertion is also of particular interest, I want here to draw attention to three key issues: the belief that it is indeed possible to eliminate poverty; the belief that economic growth can benefit the poor; and the modality of target setting. All of these issues closely reflect the emerging global dogma of 'good' development practice in the late 1990s, which was outlined briefly in the previous section.

The elimination of poverty

Underlying the whole gamut of rhetoric and policy making surrounding 'development' and the Millennium Development Goals is the fundamental belief that it is indeed possible to eliminate poverty. This is above all premised on the idea that 'poverty' is something absolute, which can be eradicated given sufficient commitment and resource. By defining poverty in this way, the focus of the global community is automatically steered towards a particular set of agendas and processes. However, the definition of poverty is itself highly contested.

If, in contrast, one adopts a relative definition of poverty, it becomes very much more difficult to assert that poverty can indeed be eliminated. In order to eradicate extreme poverty and hunger (the first Millennium Development Goal), global leaders have agreed on the target of reducing by half the proportion of people living on less than a dollar a day. This definition of extreme poverty is unequivocally absolute; the extreme poor are those living on less than a dollar a day. To combat this, these leaders have therefore asserted that strategies need to be put in place that will focus primarily on raising income levels. In contrast, were poverty to be defined in terms of inequality and difference, the strategies to be adopted would be fundamentally different. A focus on relative poverty would require a set of policies designed primarily to ensure *equity* in the distribution of resources and the benefits derived from their exploitation.

The debate between advocates of absolute and relative definitions of poverty is a long-standing one, and is not the primary focus of this paper (for a wider discussion, see Sen, 1976; Desai and Shah, 1988; Citro and Michael, 1995; Ravallion, 1997; Anwar, 1998; Foster, 1998; Madden, 2000; Jolliffe, 2001). What is important, though, is O'Boyle's (1999) observation that those advocating different 'standards' of poverty are doing so primarily on contrasting moral or ideological principles. As he comments

> ‘The controversy between advocates of the “relative standard” and proponents of the “absolute standard” has persisted for more than 30 years because of a mutual failure to recognize the manner in which certain premises have shaped and formed the ways in which they have conceptualized poverty. Students of poverty simply do not begin their work with an explicit recognition of the premises which they hold regarding human nature, how economic affairs are organized differently by competition and cooperation, how each of these two activating principles relate to different human dispositions and depend on affirming different social values, and how all of these differences determine the way in which they define and measure poverty’ (O’Boyle, 1999, 290).

In essence, O’Boyle (1999) suggests that those who advocate ‘absolute standards’ are caught up in a world vision in which human individuality dominates, economic organisation is based on competition, and social value derives from the concept of individual freedom; advocates of ‘relative standards’ emphasise human sociality, with economic organisation being cooperative, and resting on the social value of teamwork or solidarity.

This is not to deny that abject levels of absolute poverty are not something that the global community should indeed be concerned about. However, it must be recognised that this is only one way of looking at poverty, and that as the dominant mode of contemporary development discourse it must reflect the motives and interests of the world’s powerful groups and communities. This is all the more significant when absolute definitions of poverty are combined with an emphasis on economic growth as the principle means of eradicating poverty.

Economic growth

Economic growth is widely seen as being the means whereby poverty can be eliminated. The extent to which this is so is quite remarkable, and in large part reflects the dominance of economists in senior positions in the IMF, the World

Bank and the main bilateral donor organisations. The emergence of DFID's new policy framework again provides an excellent example of this primacy of economic growth in the language of 'development'. In DFID's second White Paper, published in 2000, and entitled *Eliminating World Poverty: Making Globalisation Work for the Poor*, the Department outlines its key policy commitments. As can be seen merely from the policy commitment headings (DFID, 2000, pp.10-11) these have an overwhelmingly economic focus: 'promoting effective governments and efficient markets'; 'investing in people, sharing skills and knowledge'; 'harnessing private finance'; 'capturing gains from trade'; 'tackling global environmental problems'; 'using development assistance more effectively'; and 'strengthening the international system'.

It is entirely logical if one defines poverty in an absolute way for economic growth to be seen as the optimal means of eliminating poverty. If economic growth leads to an increase in per capita income, for example, it will clearly be possible for more people to be defined as not being poor at whatever level is chosen. However, a concomitant effect of economic growth is that the potential for inequality, and thus relative poverty, will also increase. Illustrated rather simply, if 100 people were to share £1000, the greatest inequality would be when one person had £1000 and the remainder had nothing. If economic growth then led to the same number of people having £2000 to share, it would still be possible for one person to receive all of this money with the others having nothing. Although such economic growth will have led to a doubling in per capita income, from £10 to £20, it will nevertheless under these circumstances also have led to aconsdierable increase in relative poverty.

This is not just a theoretical proposition, since empirically economic growth has almost always been accompanied by differentiation, both social and spatial. The notion of 'growth' at the expense of 'others' lies at the heart of the capitalist mode of production, and has been illustrated on countless occasions both before and after Marx (1976) formulated his critique of Capital in the middle of the 19th century. For those who advocate growth as a solution to poverty, the trick is to convince enough people that they are better off as a result of economic ‘growth’ so that they will continue to support the legitimacy of the governments and international agencies promulgating this ideology. In some cases, there is indeed evidence that the policies of the IMF, World Bank and governments that have followed their advice have indeed led to an increase in overall affluence and well-being, but this has always been at the expense of certain groups of people living in particular places. One of the best examples of this is the case of Estonia, which of all the states of the former Soviet Union and eastern Europe followed most closely the prescriptions of the international agencies on gaining its independence at the start of the 1990s. Whilst the state has certainly seen economic growth, and an increase in average prosperity for its population, elderly people living in rural areas have nevertheless suffered very significantly. Indeed, the recipe for ‘success’ has led to a substantial decline in the rural economy and livelihoods across large swathes of the country (see, for example, Johnson, 2003).

Turning to Africa, almost all of the indicators suggest that despite decades of development assistance the continent is actually less well off than it was 20 years ago. The growth model has failed Africa, and yet the rhetoric of growth continues to dominate (see Dollar and Kraay, 2000; Easterly, 2001; Kraay, 2004). This has been emphasised most starkly and recently by the World Economic Forum’s (2004) *Africa Competitiveness Report*. In this, Artadi and Sala-i-Martin (2004) illustrate unequivocally that most sub-Saharan African countries are now poorer than when they became independent. Per capita income in the region is now some US$ 200 lower than in 1974, and the Gini coefficient shows a pronounced trend away from equality over the 30 year period 1970-2000. Yet despite this, Artadi and Sala-i-Martin continue to advocate the putting in place of structures that will enable long term growth to occur. In the same vein, African leaders likewise continue to advocate growth as the solution to their problems. A report from the African Economic Summ it on the 3rd June 2004, for example, noted the following:

> **Removing Obstacles to Africa's Growth** Crack down on corruption, promote labour markets, develop infrastructure, health services as well as sound governance are steps key to improving Africa's economic growth, said government and business leaders at the Africa Economic Summit. (http://www.weforum.org/site/homepublic.nsf/Content/Africa+Economic+Summit+2004#8, accessed 4th June 2004).

In yet another, and rather more subtle, study, Ravallion (1997, p.51) has concluded that 'At any positive rate of growth, the higher the initial inequality, the lower the rate at which income-poverty falls. It is possible for inequality to be sufficiently high to result in rising poverty, despite good underlying growth prospects at low inequality' (see also Ravallion, 2001). Here, he contends that if inequality is sufficiently high to begin with, poverty will actually increase. The reasons for Africa's economic failure may thus have more to do with its initial state of inequality than it does with a lack of attention to growth.

The tyranny of targets and the pertinence of place

These issues are compounded by the internal drivers faced by donors in determining the ways in which they allocate the limited resources at their disposal. The 1990s have seen a fundamental shift in the ways that government departments in many of the richer countries of the world undertake their business. One of the most important of these has been the much closer attention that is now paid to target setting and performance management, across all sectors from education to international development. Again, this has been particularly pertinent, although not without controversy, in the UK. Debates over targets and league tables for schools and universities have thus been frequently highlighted in the media, although the equally significant shift in DFID's policies to output-based measures of performance, and the use of much more precise targets, has been undertaken with somewhat less external scrutiny (although see, DFID, 2004).

Such attention to targets has been expressed particularly visibly in the various targets associated with the Millennium Development Goals (MDGs) (http://www.un.org/millenniumgoals/, accessed, 4th June 2004). These now act as the key drivers by which donors and recipient governments seek to measure their success. DFID's (2004, pp.144-149) *Departmental Report, 2004*, for example, highlights the very clear way in which the roles of individuals within the Department are meant to link to Country Assistance Plans which have cascaded down from the Department's overall Public Service Agreement (PSA) targets, which in turn are aligned to the Millennium Development Goals (for more detail see also DFID, 2004, Annexes 2 and 3). The drivers for this are both internal in the form of the wider UK Government, and also external in the form of the MDGs. Within the UK government, the Treasury has led an ambitious programme of target setting through the Public Service Agreement process linked to the Spending Reviews, in which 'each target represents a step change in the level of quality of a specific service, or an improvement in the lives of people across the UK' (see for example http://www.hm-treasury.gov.uk/performance/index.cfm, accessed 4th June 2004). Externally, DFID, as the UK government department responsible for delivery of ODA, must also focus its attention on the MDGs, and its Departmental Report for 2004 makes this commitment abundantly clear (DFID, 2004, pp.16-22).

The UK has not, though, been alone in this emphasis (see, for example, http://www.um.dk/da for Denmark, http://www.acdi-cida.gc.ca/index-e.htm for Canada, or http://www.minbuza.nl/ for the Netherlands, all accessed 4th June 2004). Whilst it is important to note that different donors have contrasting policies and varying strategies for achieving their objectives, there is also widespread recognition that one of the key constraints in effective aid delivery has been the heavy transaction costs involved and thus the need for increased donor harmonization. The issues surrounding this have been particularly well articulated in an important publication by the DAC (OECD, 2002), which builds on the aspects of donor practice identified by recipient governments as being most burdensome, to recommend key areas for improvement. The three most highly ranked of their proposed initiatives to improve the management of aid were: to simplify procedures and systems, to harmonise procedures, and to align procedures on partner systems (OECD, 2002, p.11). Moreover, one of its five main dimensions of good practice is that 'Donors providing budget support agree a common conditionality framework based on the partner country's poverty reduction strategy, ensuring that the timing of their commitments and disbursements and their review processes are aligned with the partner government cycles' (OECD, 2002, p. 13). The next decade is therefore likely to see increased co-ordination of practice, and increased focus on the means of delivering economic growth to eliminate absolute poverty through the use of Budget Support mechanisms.

Yet, there is a very real danger that donor emphasis on the principles of economic growth and absolute poverty, may well not actually deliver their intended objectives. There is undoubtedly some logic in governments establishing targets, not only because they are a clearly visible way in which the use of their taxpayers' money can be assessed and justified, but also because they focus people's attention on the actual delivery of enhanced performance. However, when applied insufficiently flexibly, they can act as a serious constraint preventing the implementation of beneficial processes of change. Moreover, it must also be recognised that in liberal democracies one of the key drivers for the use of targets is so that governments can illustrate their achievements to their electorates on a regular basis, with the intention of remaining in power. Donor governments are not accountable to the world's poor, but rather to their own electorates.

One significant example of the potential danger associated with such a target focused approach is the conflation in donor rhetoric of ‘poor people’ and ‘poor places’. This is typified by donors increasingly seeking to ‘make a difference’ in countries that are defined as being ‘poor’. DFID’s (2004, p.182) PSA targets for 2003-06, for example, make this abundantly clear through their overall aim to ‘Eliminate poverty in poorer countries…’, and with three of the five targets specifically mentioning countries:

- In sub-Saharan Africa to achieve ‘Progress towards the MDGs in 16 key countries…’ (Target 1)
- In Asia to achieve ‘Progress towards the MDGs in 4 key countries…’ (Target 2); and
- To ‘increase the proportion of DFID’s bilateral programme going to low-income countries from 78% to 90%…’ (Target 5).

This is entirely consonant with the view that economic growth can eliminate absolute poverty, but it totally fails to recognise that many of the world’s poorest people live in countries that are not defined as being poor, and that the greatest relative poverty is found in some of the richest countries of the world. In another expression of this logic, the Dutch government announced in October 2003 that it would reduce the number of countries with which it maintains structural bilateral aid relations from 49 to 36 partner countries (http://www.minbuza.nl/default.asp?CMS_ITEM=151164CE0CA6431AB867CE8C7E36F841X1X58362X45, accessed 4th June 2004). Their aim is once again to work with these countries ‘on a programme basis, where possible through budget support’ (Ministerie von Buitenlandse Zaken, 2003, p.5).

Budget support

There is much confusion in the literature about terminological usage associated with budgetary support (Naschold and Booth, 2002), with the phrase being applied both at a government to government level, and also to transfers to specific ministries (OPM/ODI, 2002). DFID (2004, p.117), one of the most ardent advocates of budgetary support, has defined the various terms as follows:

> 'Direct Budget Support is a form of aid provided in support of a government programme that focuses on growth and poverty reduction, fiscal adjustment and strengthening institutions, especially budgetary processes. The funds are provided to a partner government to spend using its own financial management, procurement and accountability systems. Direct Budget Support can take the form of a contribution to the overall budget, often referred to as General Budget Support, or be "earmarked" for a specific sector such as education or health. This is usually referred to as Sector Budget Support'.

Even this definition, though, retains elements of confusion, since the terms 'General' (GBS) and 'Direct' Budget Support (DBS) can both be used to refer to donor contributions to the overall budget. Moreover, by linking the phrase 'Direct' to a series of precise conditions (growth, poverty, fiscal adjustment, strengthening institutions, budgetary processes, partner governments, and procurement and accountability systems), this DFID definition seems overly prescriptive.

The Danish government (Danida, 2003,p.7) defines budget support with a slightly different emphasis, commenting that it

> 'is a transfer of funds from the donor government to the partner country government so as to allow the partner to increase public expenditure or reduce borrowing. The donor funds are merged with the partner government's own funds, disbursed through the partner government's own financial systems, and managed by use of the partner government's public financial management procedures'.

They go on to distinguish between the following types of budget support: general budget support, sector budget support, debt relief, and balance of payments support. For the sake of clarity, therefore, this paper adopts the overall term 'Budgetary Support' or 'Budget Support' for any financial support mechanism whereby a donor provides financial assist ance to a recipient government's budget. The term 'General Budget Support' is used in a more restricted way to refer specifically to financial assistance given by one government to another government, and administered through the recipient government's Finance Ministry or Treasury Department.

The DFID and Danida definitions cited above, nevertheless emphasise once more that Budgetary Support is the successor to the series of aid modalities that emerged during the late 1980s and 1990s. It clearly builds on the principles of macro-economic discipline, a market economy and openness to the world that Williamson (1990) espoused in his account of the Washington Consensus. Interestingly, though, not all who refer to Budgetary Support would necessarily see it as the direct successor to the much criticised SAPs of the 1980s and 1990s. For them, the key new features that Budgetary Support bring are an emphasis on partnership, on integrated PRSPs, and on governance agendas.

There are five broad linked reasons why donors, and to a lesser extent recipients, are placing such emphasis on Budgetary Support mechanisms. The first of these is *predictability and stability*. One of the criticisms of previous aid modalities was that they were unpredictable and short term. Therefore, by signing medium- to long-term commitments, recipient governments are able to retain greater control over their own policies and programmes. A second justification is that by signing such agreements, African governments are better able to deliver their *own agendas*. Theoretically, Budgetary Support should enable recipient governments to implement strategies that they believe are most appropriate for their own people, thereby being less at the whim of donors who might previously have wished to impose their own externally determined agendas. Third, Budgetary Support, particularly when linked to the PRSP process, can provide a good mechanism for the *integration and co-ordination of donor support*, with transaction costs for recipient governments thereby being reduced. It is very much more efficient, for example, for recipients to deal with a single group of donors rather than with 20 or 30 separate donor organisation, each wishing to promote their own agenda. Fourth, donors see Budgetary Support mechanisms as a means through which they can have dialogues with recipient governments that will encourage them to focus on *governance* agendas that will lead to the creation of the liberal democratic systems of government that they consider are so important for economic growth. Finally, Budgetary Support is seen as being a *flexible and efficient* mechanism, through which ODA can be transferred with a minimum of transaction costs, enabling recipient governments to fund both capital and recurrent expenditure.

Donors have placed slightly different emphases on these varying reasons. The Dutch, for example, highlight three key conditions: budget support 'must be directly linked to the PRSP process'; 'on-budget funding must be accompanied by an effective policy dialogue with the recipient country on improving governance'; and 'funding must be based on results measured by clearly defined progress indicators for institutional and policy reforms' (Ministerie von Buitenlandse Zaken, 2003, p.26). They also place considerable emphasis on the importance of predictability, arguing that 'Budget support provided in this way will enhance the predictability of donor contributions for recipient countries' (Ministerie von Buitenlandse Zaken, 2003, p.26). For DFID (2001b, p.1), the main reasons for this new approach are summarised as follows:

> 'With emerging consensus on the importance of local leadership of development agendas, based around the PRSP, there is increasing recognition that traditional, project based, ways of providing aid can have distortionary effects and can undermine local capacity. In many cases, there is a desire for more flexible funding arrangements, with transfers of resources in the form of direct budgetary support (related to a specific sector or the budget as a whole)'.

The Danish government prioritises these issues, yet again, in a slightly different way, noting that

> 'budget support rests on the following key principles: policy design has to be tailored to country characteristics in order to be effective, and it has to be based on a comprehensive analysis not only of macroeconomic issues but also of political, social and institutional issues. National ownership of the reform policies is necessary to ensure effective policy implementation. The multi-dimensional character of poverty has to be the focal point of any analysis and decision related to the provision of budget support. The impact of the support on poverty has to be monitored and information should be fed back into the policy decision level. Direct poverty reduction, national ownership, and national capacity have become the focus of budget support design' (p. 5)

Given the potential risks associated with the use of Budgetary Support mechanisms, and particularly DFID's more tightly constrained focus on Direct Budget Support, there has been much discussion on fiduciary risk and accountability issues (DFID, 2002b). In particular, in countries where there is a high fiduciary risk, that is to say where expenditure may not be properly accounted for, may not be used for its intended purpose, or may not represent value for money, there is likewise a high risk that provision of Direct Budgetary Support could lead to criticisms that aid has been wasted through corruption. DFID (2004, p.118) has therefore emphasised that three key things need to be in place before budget support can appropriately be used as an aid modality: a strategic planning framework, evidence that Direct Budget Support will produce significant benefits compared with other methods of aid delivery, and a commitment to improved public financial management systems.

These reasons all suggest that Budgetary Support is well-intentioned and designed explicitly to help achieve the MDGs and an elimination of poverty. There is not, as some might wish to see, an international plot fuelled by donor governments systematically to prevent people living in poor countries from becoming more prosperous. However, Budget Support, as the preferred means of delivering the economic growth and liberal democracy agenda is much more problematic than many working in these agencies are wiling publicly to acknowledge. There are six key reasons why this is so.

First, the *PRSP process* is much more muddied than many donors would like to give it credit. In an ideal world, PRSPs are meant to be developed in consultation with a wide range of stakeholders within the country in question, so that the process is truly inclusive and participatory. However, the poor are rarely directly involved in such processes, and even the civil society organisations that claim to represent them are often marginalised and not listened to. It must be stressed that there is great variation across Africa in the ways in which the PRSP process has been conducted, but the problems inherent in their development tend to be underemphasised (see for example, DFID, 2002a, p.131; Trócaire, 2004). In a useful overview of the PRSP process in seven African countries, Booth (2003) emphasises that 'Whether or not vicious circles of patrimonial politics, state weakness and ineffectual aid can be replaced with virtuous ones, based on greater national ownership of anti-poverty effort, is still uncertain'. He notes the value that PRSPs can have in encouraging greater national ownership and thereby more effectiveness in poverty reduction, but he concludes that it is too early yet to judge whether they will be successful in achieving their objectives. Even in Tanzania where there is 'a moderately high degree of national ownership', he suggests that the PRSP 'may not prove a very effective instrument for achieving poverty reduction objectives, because it may be too weak analytically or … backed by too little real implementation capacity' (Booth, 2003, p.157). The key point that I wish to stress here is that the process is not even an unbiased reflection of the aspirations of African governments, since PRSPs are heavily influenced by the dominant rhetoric of the donor community. Not only are external consultants, well versed in the dogma of economic growth and poverty elimination, closely involved in the preparation of many PRSPs, but African government officials know full well that they would not in practice be supported by donors should they wish to implement any radical proposals outside this increasingly hegemonic framework.

Second, although Budget Support is meant to give African governments the opportunity to engage in *long-term planning*, donors are all too willing to withhold payments to such governments when they consider that their financial support is being misused. Such a situation was typified in late 2001 when donors suspended their budgetary support payments to Malawi because of fears over the country's governance and because agreed macro-economic policy instruments were not being put into place. This is undoubtedly an awkward issue to resolve, because donor governments need to assure their own electorates that their support is indeed being used appropriately. However, once having signed up to a Budget Support agreement for a given number of years, donors should be morally obliged to stick to it. The risk of the financial support being misapplied should be weighed up fully in advance, and a failure to do so should be the responsibility of the donors rather than the recipient governments. The trouble is that the risks are often highest in the very poorest countries that donors wish to be supporting. This emphasises the need for the development of policies that are place specific, and suggests that alternative mechanisms for supporting poverty reduction in some of the poorest countries of Africa might be appropriate.

Third, there remain real issues associated with the *political systems* in place in many African countries, and whether traditional forms of governance are able to manage large sums of financial assistance in the form of Budget Support in the long-term interests of the poor. This issue is often caricatured as being to do with *corruption*, largely defined in terms based on European or north American norms. Donors see Budget Support as being one of the means whereby they can impose their rather narrow interpretations of 'liberal democracy' on the governments of recipient countries. However, as Held (1997) has so cogently argued, there are actually many different kinds of democracy, and we need to keep open the possibility for Africans to create entirely different political structures that could truly represent the interests of all of the people living across the continent. At present, many of the African countries receiving Budget Support from donors are widely seen as being ‘corrupt’. Thus, based on Transparency International’s (2002, 2004) corruption index for 2002, with 10 being seen as highly clean and 0 as highly corrupt, Ethiopia scored 3.5, Ghana 3.9, Malawi 2.9, Tanzania 2.7, and Uganda 2.1 (Mozambique and Rwanda, other recipients of Budget Support, were not listed in the index). Donors are therefore taking an immense leap of faith in believing that they can somehow change this system in a couple of years and ensure that the very large sums of money that they are giving to such governments will indeed be spent ‘appropriately’. Moreover, there is increasing evidence that that higher aid levels actually erode the quality of governance (Knack, 2001), and, if this is so, Budget Support could actually lead to the very opposite effect than that anticipated by its advocates.

Fourth, there are real issues associated with the *accountability* of Budget Support funding. Traditionally, donors have allocated financial support to particular sectors of activity, such as education and health. In such circumstances it is possible, although not always easy, to claim that specific amounts and percentages of donor aid have indeed been spent on these sectors. However, with Budget Support such allocations are no longer strictly possible, because donors are explicitly seeking to support allocation decisions made by African governments. By so doing, donors are making it increasingly difficult for themselves to account for their spending. Interestingly, this greatly complicates the process of responding to the electorates and Finance Ministries in donor countries as to delivery on their targets. In a strict interpretation of General Budget Support, for example, a donor would simply give such support to the Finance Ministry, and would have no accurate way of determining how much of that support was then in practice allocated to specific goals such as reducing child mortality (MDG 4), ensuring environmental sustainability (MDG 7), or achieving universal primary education (MDG 2). To be sure, notional figures could indeed be calculated, based on the percentages of national budgets allocated to such sectors, but this actually goes against the very principles on which Budget Support is founded. It is not easy to reconcile the two demands for African governments to be able spend the money how they choose, and yet also for donors to be able to identify how much they are contributing to sectoral targets.

This touches on a fifth problem with Budget Support mechanisms that concerns the *administrative* ability of governments to manage these financial allocations appropriately, and for them to be utilised effectively in recipient line ministries for the benefit of the poor. In many African countries, public financial management systems remain below internationally accepted standards of delivery. Whilst donors may argue that they will only implement Budget Support mechanisms where governments have shown a commitment to enhancing these systems and such a commitment is reflected in the PRSP, it would be more prudent to ensure that such systems are in place before Budget Support is embarked upon. Furthermore, despite the valiant efforts of many committed and dedicated staff in line ministries, the capacity of such ministries to use existing financial arrangements to deliver their objectives effectively is seriously stretched. Ministries of education and health which play a key role in delivering the educational and health targets associated with the MDGs, for example, are often insufficiently prioritised by current governments in their own allocation rounds, and there is no strong evidence to suggest that the relative balance of emphasis will *necessarily* shift once Budget Support mechanisms are in place. Undoubtedly there is variability in the significance of such issues across the continent, but the central point to emphasise is that by implementing General Budgetary Support mechanisms of aid delivery, donors are in danger of reinforcing existing structures and balances of power that may not give sufficient priority even to the objectives that donors themselves have identified for such aid.

Finally, there is doubt that Budget Support will actually *deliver benefits to the poorest and most marginalised peoples and communities*. Many local and international civil society organisations working in African countries are highly sceptical that Budget Support and the PRSP process will actually deliver on the objectives claimed by donors. In essence, they argue that many of those in power in Africa have priorities that they consider to be more important than poverty elimination, and that they will therefore continue largely to allocate budget expenditure to such existing priorities. To take but one example, Christian Aid (2004, p.30) notes that in 2002 the Ugandan government diverted 23% of its social services budget to fund its Operation Iron Fist against the Lord's Resistance Army. Responding to donor concerns, particularly in the context of the PRSP and Budget Support, the Ugandan government introduced a defence review, but Christian Aid (2004, p.30) notes that in Kampala this 'is regarded with derision; members of parliament are furious they were not involved. They call it a sham and say it is yet another government ploy to hoodwink donors'. Whilst there may be some justification in donors' arguments that the critique of budget support modalities by civil society organisations is in part led by their concern at the reduction of funding for their own project-based and campaigning work, there is no doubt that across Africa civil society organisations remain sceptical about the comprehensiveness of stakeholder involvement in the development of PRSPs and the likely effects of giving governments increased budgetary support with insufficient checks and balances to ensure that this is really used to deliver on poverty alleviation. The record of partnerships between African governments and donors over the last 30 years, during which time levels of poverty have actually increased, does not instil confidence that Budget Support modalities of aid delivery will actually be successful.

From symptoms to causes: an alternative agenda for development agencies

This paper has argued that Budgetary Support mechanisms are unlikely to have the effect on poverty relief in Africa that donors would like to see. In part, this is because they merely represent an extension of a series of policies designed to eliminate absolute poverty through the means of economic growth, PRSPs and the targets associated with the Millennium Development Goals. In part, though, there are also significant problems with the precise mechanisms being advocated for the implementation of Budgetary Support programmes of assistance. Having provided a brief summary of the grounds for such an argument, it would be irresponsible not to offer some reflections on alternative strategies that donors might adopt. As already noted, I do not support the conspiracy view of development theory, and remain convinced that most people working in donor organisations actually do so because they wish to make the world in which we all live a better place. For post-modernists this is itself a failed dream, but for those who adhere to the Enlightenment principles of rights and duties (see Unwin, 1998), it is a task still worth doing.

In essence, my argument is that such alternative scenarios need to lay much greater emphasis on issues of equity and on place specificity than is possible under conditions of Budgetary Support. They need to become more geographically focused, and less dominated by failed models of economic growth and political rhetoric. The global development industry has set its store by the MDGs. However, these goals focus on the symptoms and not the causes of poverty. By tying development aid so closely to delivery of such targets, donors have made their policies incapable of actually making a significant difference to the lives of the poor. Low rates of participation in primary education (MDG2), high rates of malaria (MDG6), poor maternal health (MDG5), and high levels of child mortality (MDG4) are thus *symptoms* of poverty rather than its main cause. By defining poverty in an absolute way, donors have become blinkered to the realities of difference and diversity that lie at the heart of real poverty in Africa.

A shift in focus to a relative understanding of poverty would lead to a fundamental reconsideration of African poverty. At one level, it would lead to the development of a better understanding of the reasons for differences in the levels of poverty between and within African countries, and also between the world's richest and poorest countries. This in turn would lead to a reconsideration of ways in which the least privileged and most marginalised could be enabled to benefit positively from the economic changes currently taking place. However, in a more significant and practical way, it would shift our attention to issues of distribution, equity and justice. By signing up so eagerly to the individualist economic growth agenda (O'Boyle, 1999), many donors have lost the moral high ground that should lie at the heart of their activities.

In practical terms, some of the implications of such a shift in focus to relative considerations of poverty might include:

- *Greater emphasis on ways of enhancing the lives of some of the most disadvantaged peoples in the world through systemic global interventions*. It is surprising how little direct donor support is actually given currently to some of the most disadvantaged people in Africa, such as those with disabilities and street children. Instead, donors tend to leave the bulk of such 'poverty alleviation' to civil society organisations still willing to engage in project based programmes. Donors could therefore usefully commit a greater share of their funding to understanding the needs of these least privileged communities, and thereby seek to implement innovative programmes of intervention specifically designed to make a difference to their lives.
- *An ability to work in support of poor people wherever they live, rather than only those who happen to live in countries defined as being poor*. By defining poverty very largely in terms of places, donors have lost the ability to use their resources to make a difference to the lives of the millions of poor people who live in so-called middle-income countries. Adopting a relative definition of poverty would enable donors to concentrate much more on changing the processes of poverty wherever they are found, rather than merely trying to eliminate it as a 'problem' in certain specific countries.

- *A real commitment to working with the poor, rather than for the poor*. The emphasis on Budgetary Support mechanisms has meant that many people working in donor organisations have increasingly lost touch with the reality of poor people's lives. A focus on working primarily with African governments has meant that donors are now operating in an increasingly top-down mode and very largely at a distance from the poor people whom they are supposedly meant to be helping. By working more closely *with* poor people, donors could gain a very different perspective on what it is that would really make a difference to their lives. Indeed, by supporting more community-led initiatives, it is just possible that donors could write themselves out of the poverty relief equation much more rapidly than they could by working primarily through central governments.
- *The implementation of programmes of support that are much more locally specific and relevant to the needs of specific groups of African people and places*. A focus on Budgetary Support and greater donor alignment, has led to an increasing tendency for a 'one model fits all' mentality to be adopted by donor agencies across the African continent. In their aspiration to adhere ever more rigorously to the dominant mantra, donors are signing up in support of the Budgetary Support modality, even where fiduciary risk is unacceptably high. DFID's (2002b, p.6) emphasis on this particular modality, for example, is such that they suggest that even 'Where the conditions for DBS do not exist, DFID may still be able to adopt some of the principles of budget support'. The risks involved in the delivery of inappropriate Budget Support are enormous, not only for poor people, but also for donors bent on its implementation.
- *The significance of cultural diversity*. A focus on local specificity is also important since it encourages donors to shift away from essentially uniform economic explanations in order to understand the influence of cultural, social and political factors in shaping the lives of poor people. Recent experiences in the Middle East have, for example, illustrated the almost complete lack of understanding that some donors have of Islam,

and the urgent need for them to develop a much more sympathetic approach to engaging with Islamic communities in poverty relief.

Pragmatically, economic growth models are likely to continue to dominate the development agenda, at least as long as the IMF and World Bank retain their dominant positions of influence in the global development business. However, it is not beyond the realms of possibility for donors to add second strings to their bows and to pursue an approach that gives at least as much attention to equity as it does to growth. Budget Support mechanisms will not be able to deliver this twin-pronged assault on poverty, and a new agenda will need to be forged to enable donors to deliver their moral agendas truly in the interests of poor people.

Conclusion – Beyond Budgetary Support

This paper has sought to challenge some of the all too readily accepted dogmas associated with Budgetary Support as the increasingly dominant modality of aid delivery. It has argued that Budget Support will not only fail to make a significant difference to poverty in Africa, but also that donors have underestimated the risks to their own practices that such a modality implies. Budgetary Support mechanisms will therefore only be a transient feature of Overseas Development Assistance, and it is incumbent on all those involved in this field to look into the future and identify modalities that will truly begin to make a difference to the lives of poor people. In the short term, some progress could undoubtedly be made were donors and recipient governments alike to shift their attention to relative considerations of poverty and thereby to issues of equity and difference, rather than concentrating primarily on economic growth as the main driver for poverty elimination.

However, lessons of relevance to Africa can also be learnt from experiences elsewhere in the world, and particularly from Asia. It is no coincidence that in economies such as those of China and India, where donor support plays a very much less significant overall role than it does in Africa, there is little mention of Budget Support mechanisms being introduced as the dominant modality of aid delivery. In such countries, donors are frequently invited to contribute both to innovative areas of development delivery, as with the use of Information and Communication Technologies for teacher training in the west of China (http://www.unchina.org/undp/modules.php?op=modload&name=News&file=article&sid=87&mode=thread&order=0&thold=0), or to work in partnership with civil society organisations to strengthen poor people's practical participation in decision making that affects their lives, as with DFID's work in India (http://www.dfidindia.org/news/news/2004/2004_03_09.htm). In such circumstances, donors have a much smaller comparative role to play, and need to adapt their strategies very much more closely to the wishes of recipient governments than they are able to in the African context. There is therefore certainly a case to be made for African governments to be much more forthright in the demands that they make of donors than is currently the case.

Another conclusion to be drawn from these arguments is that donors should pay increasing attention to what they can actually do themselves to alleviate the causes of poverty rather than focusing excessively on its symptoms. Most donors would claim that it is in their long-term interests to help people in Africa take greater control of their own lives and agendas. The Swiss thus state that 'By supporting the efforts of developing countries to improve their people's living conditions, the aim of Swiss development policy is to enable these countries to further their development by their own efforts' (http://www.sdc.admin.ch/index.php?userhash=8694594&l=e&navID=8). To achieve this end, it may well be much easier to implement changes in matters over which donor governments themselves have direct control than it is to try to intervene through Budget Support mechanisms in the lives of poor people in Africa. Donors, and organisations such as the G8 (for background see the useful Canadian site at http://www.g8.gc.ca), could take a much more significant role in influencing poverty by changing the rules of the global economy through their participation in the World Trade Organisation (WTO) (www.wto.org/), the international arms trade, or the European Union's Common Agricultural Policy (http://europa.eu.int/comm/agriculture/capreform/index_en.htm), for example, than they can by continuing to provide large sums for African governments in the form of Budget Support. By devoting a greater share of their resources to such activities, donor governments could increasingly take it upon themselves to contribute to a reduction in relative poverty in ways over which they have immediate control. It is a radical proposal, but the question needs to be asked as to whether donors could actually do more 'good' for African people by shifting the emphasis of their funding away from Africa itself? If Budget Support is not the panacea that so many believe it to be, we urgently need to explore alternative futures for ODA.

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