



Overseas Development
Institute

Budget support, aid instruments and the environment

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Preliminary feedback presentation

21st September, 2007

Aim of the presentation

- To outline initial results
- To identify emerging key messages
- To outline next steps for the development or the report
- To elicit your feedback

Purpose of the overall study

- ‘To analyse and document experience and best practise in transferring environmental priorities from national plans to budgets and through into government implementation plans.....
- ...(to) identify how donors can facilitate and support such processes within the context of increasing budget support (BS), and the use of other aid instruments.
- Through 4 country case studies (TZ, Ghana. Mozambique & Mali)
- To result in an overall synthesis report

Research process for the country case study

- Examination of national plans and stated environmental priorities
- Analysis of environmental budget & expenditure trends (from budget books and MTEF)
- Comparison of stated priorities to expenditure
- Interviews with key stakeholders
- Documentary review

Who did we talk to?

- DoE, MoF & MPEE
- Line ministries (MNRT [& FBD], Infrastructure; PMO-RALG)
- Cabinet Secretariat for Environment
- NGOs
- DPs – both BS and env. sector

Defining environment

- ‘Expenditures by public institutions for purposeful activities aimed directly at the prevention, reduction and elimination of pollution control or any other degradation of the environment resulting from human activity, as well as natural resource management activities **not aimed at resource exploitation or production**’ OECD/Eurostat in Lunde and Swanson
- But we did include production in our definition
- Conclusion: a clear and agreed definition of ‘environment’ is important for mainstreaming and for being able to say monitor change and impact

Significant environmental policy processes

- Vision 2025, Mkukuta, EMA, sector strategies, budget speeches, budget guidelines, MTEFs.....
- Mkukuta 2005 - impressive degree of thinking about poverty-environment linkages and sensitisation & consultation over the issue

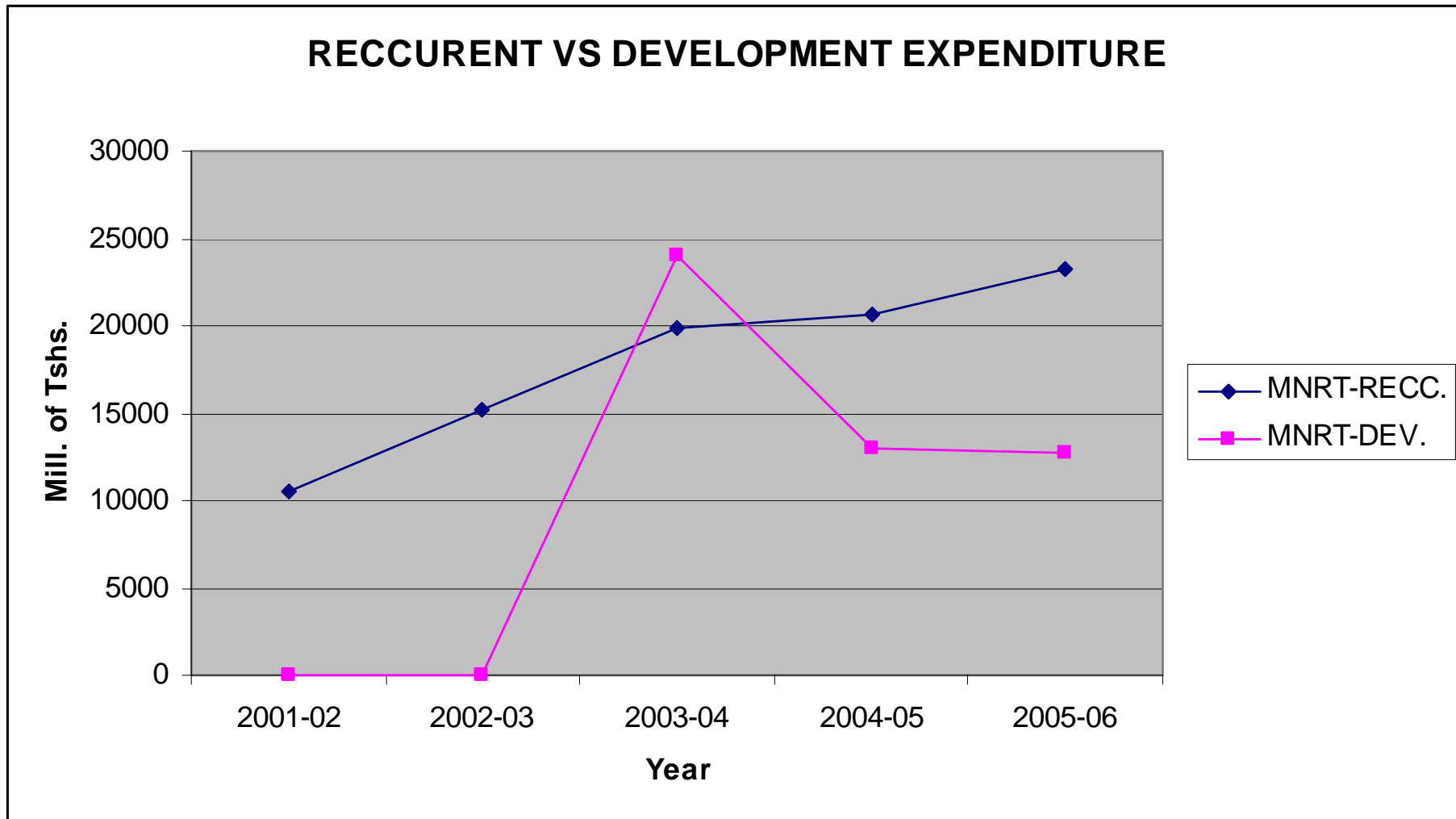
Getting the Mkukuta into the environmental budget....

- Logical process of priority matching between Mkukuta & budget guidelines
- Links between MTEFs and Mkukuta are made but at the point of activity-definition the system of prioritisation and its relation to objectives becomes less clear
- Attention to environment does involve trade-offs and the complexity of these choices can be under estimated
- The MTEF of the DoE earmarks
 - 44% of the budget for the Lake Tanganyika project;
 - 21% for EMA related activity
 - 11% for international conventions
 - 12% for degraded lands catchments & marine body conservation
 - 1% for pollution control and safety standards
- Also the need to mainstream 'poverty' into environment

The implementation of EMA

- The introduction of EMA provides new potential for the commitments of funding associated with environment both for the DoE and for the sector ministries.
- The DoE is a regulatory and advisory body
- Limited capacity and resources
- However the EMA is a ambitious document which relies on a multitude of sectors ministries for its operationalisation
- To date there has been little sectoral buy-in or submission of distinct EMA-related budget requests and the challenge remains how to incentivise this

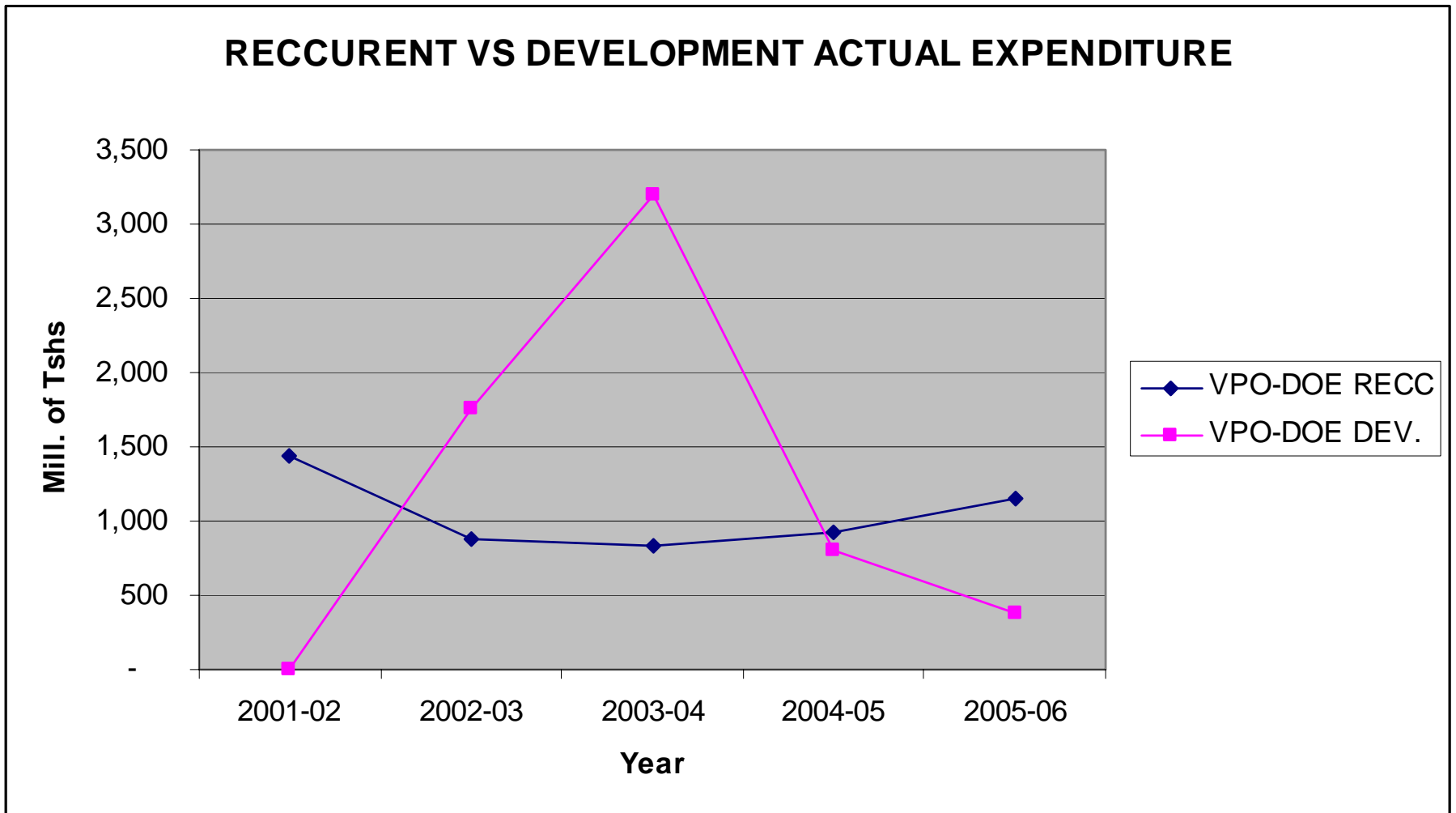
What does the MNR budget show?



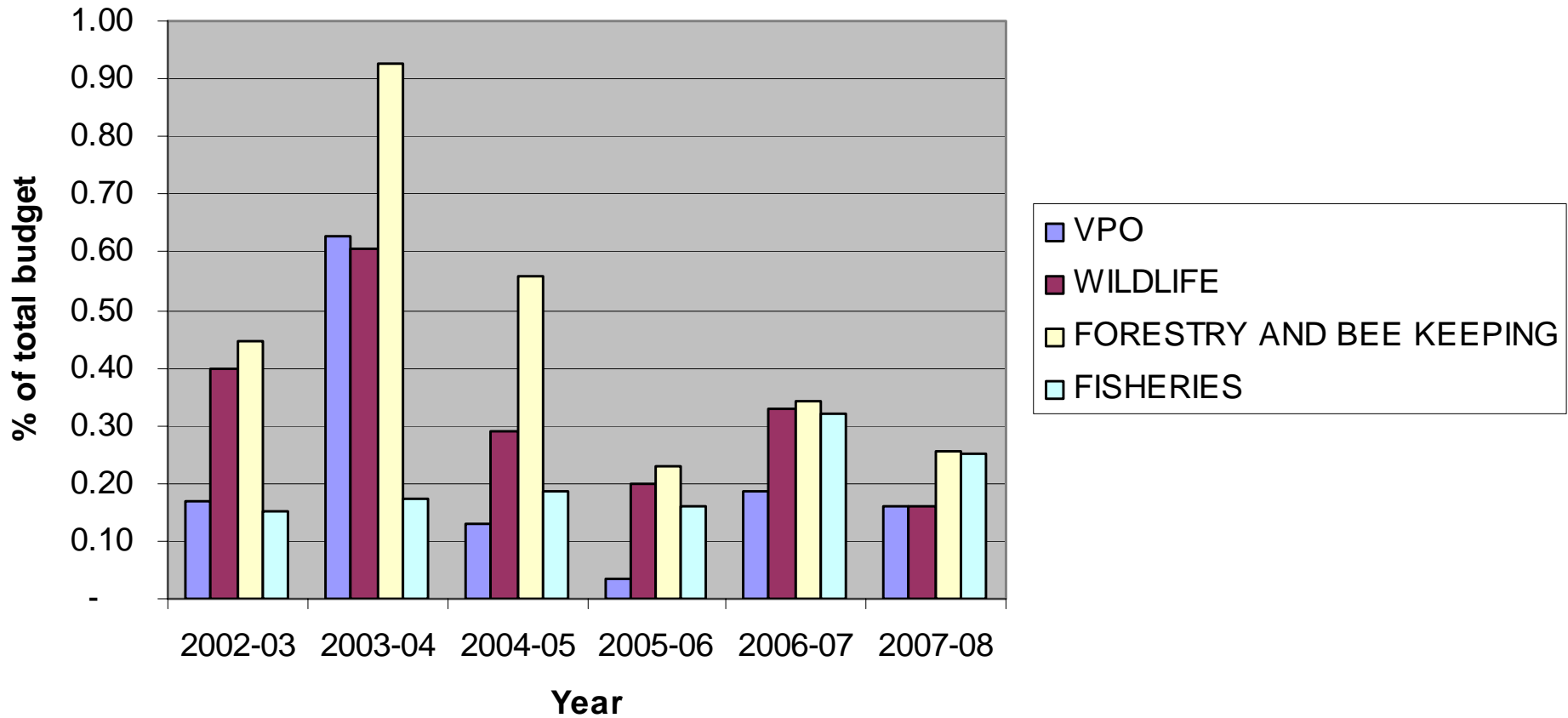
Revenues

- Wildlife is the main source of environmental revenue in the ministry with an increasing share
- Hunting licences contribute 65 % of total ministry revenue.
- Recent changes in the 2007/8 budget over costing of wildlife resources
- Until 2003/4, fisheries had a bigger share in revenue contribution in ministry than forestry but since 2004/5 its share (and total) has been declining.
- The revenue in FPD shows a declining importance (and has undergone recent high profile attention)

What does the DoE budget show



SECTORAL BUDGET ESTIMATE AS % OF TOTAL BUDGET



The impact of political interest on budgets

- A significant feature of the discussions held was the mention of high level political interest in environmental issues
- Resulting in favourable but erratic budgetary allocations to the environmental sector

Urgent Action on Land Degradation and Water Catchments

- 9.4 billion to 11 ministries
- 2 billion to DoE for coordination
- 4 billion to Ministry of Lands and Settlement
- Coincided with public concern at electricity cuts
- Speedy reaction based on unclear evidence and impact assessment

Selecting instruments

Selecting aid instruments is about:

- Earmarking (none, sector, subsector, programme, activity...)
- Financial management procedures (using or not domestic PFM systems/rules)
- Entry point – level of interaction (state, MOF, line ministry, local government, NGO,...)

This selection is based on a judgement of the underlying risk of using government systems against the benefits

Instrument	When?	Opportunities?	Risks?
GBS	<ul style="list-style-type: none"> • donors agree broadly with govt policy framework • PFM sound or moving in the right direction • commitment to monitoring and dissemination of results 	<ul style="list-style-type: none"> • provides flexible additional funding to govt. • strengthens govt. ownership • focuses policy dialogue • reinforces budgetary process 	<ul style="list-style-type: none"> • fiduciary risk (for donors) • threat of withdrawing support (for govt) with negative impact on public expenditure • over-centralised policy dialogue?
SBS	<ul style="list-style-type: none"> • above hold broadly but sector specific earmarking required because donor spending preferences differ from government's 	<ul style="list-style-type: none"> • provide additional funding to under-resourced areas • donor influence in sector policy forum 	<ul style="list-style-type: none"> • earmarking offset by government resource allocation process (fungibility) • earmarking undermining ownership of resource allocation process
CBF	<ul style="list-style-type: none"> • above don't hold • same reasons for using project modalities with advantages of reduced transaction costs from pooling 	<ul style="list-style-type: none"> • advantages over project support (coordination) • learning ground for moving into budget support 	<ul style="list-style-type: none"> • can undermine GBS potential effects by undercutting MOF • high initial transaction costs (harmonisation)
Project	<ul style="list-style-type: none"> • working outside govt. • TA support – with specific procurement • pilots/ innovation • ad-hoc response to transitory needs • large one-off investment interventions with high management costs 	<ul style="list-style-type: none"> • better targeting • keeping difficult issues on the agenda • only real vehicle for supporting CSOs, CBOs, etc. 	<ul style="list-style-type: none"> • poor govt ownership and undermining of domestic accountability (in most cases) • undermining of budgetary process (in most cases) • coordination problem and transaction costs <p>[Table from Lawson, 2007]</p>

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The opportunity for focused policy dialogue?

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Questions raised by the experience of the SWGs

- Is a specialised SWG which focuses on technical issues the right forum for influence?
- Can discussions over BS crowd out objective dialogue?
- What role and formality of status should civil society have in the WGs? What impact would such involvement have on effectiveness?
- Does the model of a donor funded NGO secretariat (as in the case of the GWG) increase effectiveness of the process?
- The need for data/experience on which to base dialogue e.g. enabling effect of the TRAFFIC report

Role of oversight & accountability mechanisms

- Shifting role in a BS context?
- Civil society engagement around environmental issues is specific and complex
- Risk of crowding out of by international agendas
- Particular issues of representation and legitimacy
- Challenge for DP support to avoid distortion
- Environmental narratives and misinformation about cause and effect can be perpetuated by media
- Role of parliament

Comments on PAF indicators

- GBS - a mechanism for funding an approved policy strategy and not a mechanism for enforcing policy change
- But PAFs can be an important signalling device and to support particular reforms
- Need for establishment of functioning monitoring and data collection systems with clear reporting requirements before straight outcome indicators are included.
- Risk of environmental outcome indicators having perverse effects

Next steps

Complete analysis and draft report

Circulate report for comment

Synthesis report and circulation

- Thankyou

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