



The aid architecture debate beyond Busan

Budget support and the governance challenge

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Evolution from BS design to practice

- Design: BS as a financing mechanism
 - Linked to poverty reduction – PRSPs, MDGs
 - Support technocratic reform – strengthen state in developmental role – long term institution building
 - Selectivity
 - Consensual ex-post conditionalities (PAF)
 - Donors close to design: multilaterals
- Practice: BS as a governance mechanism
 - Linked to poverty reduction – MDGs AND democratic quality
 - Support technocratic reforms + push for democratic reforms
 - Weak selectivity
 - Use of political conditionalities (UPs)
 - Donors close: more and more bilateral donors

Intervention theories with consequences

	Technocratic road	Technocratic+ road
BS-goals	One instrument, one goal	One instrument, two goals
Forum	Policy dialogue: technocratic Political dialogue: democratic (separate forum, actors, instruments, time lines)	Policy dialogue open for technocratic and democratic reforms/concerns
Advantages	Predictable - toolkits Perceived as less intrusive BS carrot and stick for technocratic progress/decay	Flexibility for donors Legitimacy – accountability home constituencies BS carrot and stick for technocratic progress/decay
Disadvantages	Over-technocratisation Lack of democratic progress may undermine technocratic progress Under-use BS/policy dialogue Legitimacy issues (home – locally)	Reactive on democratic regress Unpredictable – no toolkits - bazooka effect Overburdening BS/policy dialogue Perceived as intrusive: legitimacy locally

Can/should BS 'buy' political change?

- Conditionality in general: problematic
 - Compliance and aid dependency
- Political conditionality: extremely problematic
 - Democratic reform aims at constraining the power of the executive: do we really expect the executive to 'own' this?
 - Effectiveness:
 - Systemic change: anocracies are resilient, neo-patrimonialism is sticky, change comes from within, mostly after economic growth takes place
 - Developmental effect: turning the clock back - trade-offs between developmental and democratic progress
 - Diplomatic effect: relations turn sour
- Calms the accountability pressure from parliaments/public opinion in donor countries

How to address democratic governance?

- Two important features will persist
 - Most LICs have huge governance challenges
 - Bilateral donors nervous about public opinion
 - ➔ neglecting broad governance issues (democracy) is politically unfeasible for minister in charge

Ways forward ?

- Defensive risk management
- Pro-active strategies

Defensive risk management

- Limit the risks that undermine progress
 - Thorough political assessments
 - technocratic reforms must be politically feasible
 - Multilateralise GBS
 - High selectivity for (limited) GBS
 - Focus on lower range modalities: SBS, baskets, projects

Pro-active strategies: Optimise voice

- Top-down strategy
 - Use multilateral fora to address democratic concerns
 - Separate high-level forum in-country, with sticks and carrots
 - Develop smart diplomatic and legal sanctions: sniper effect
- Bottom-up approach
 - Thorough political assessment
 - Pro-active strategy to strengthen existing drivers of democratic change at different levels, support coalitions between them
 - Parliaments
 - Political parties
 - Civil society organizations
 - Private sector
 - Use a wide range of modalities, but where possible harmonised forms of core-funding



Thank you!



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http://www.ua.ac.be/dev/aid_effectiveness