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HELPDESK REQUEST

# Literature Review on Budget Support

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Due to the limited time constraints only the following databases were searched:

African Impact Evaluation Initiative  
Asian Development Bank: Operations Evaluation  
DAC Evaluation Resource Centre (DEReC)  
FindIt@BHAM (the University of Birmingham academic journal search tool)

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# 1 Overview

This brief helpdesk query responds to a request to provide a review of the literature on Budget Support (BS), both General Budget Support<sup>1</sup> (GBS) and Sector Budget Support<sup>2</sup> (SBS) to be used as a tool for development practitioners to assist them in designing and/or managing BS programmes.

This study identified evaluations, research and other knowledge products relating to GBS and SBS. Documents were included which were focused specifically on BS, or had a significant component or insight into BS. This query used a mixed approach of database searches, following-up on relevant references from relevant documents, and contacting experts for literature suggestions.

One of the significant challenges of this review was structuring the documents identified. It was felt that the best structure would be in response to the following questions: why is BS useful, how is BS best done and what has BS done in the past. Consequently the material identified was structured into the following sections: material that evaluated BS as an aid modality, literature that guides practitioners in the use of BS, and then material with a specific focus on certain donors, partner countries, or sectors/themes.

The study found that a significant body of literature examines the value of budget support, as an aid modality in general, and in comparison to other aid modalities. This evaluative material tends to focus on GBS as opposed to SBS, though in many cases does not specify amongst GBS and SBS. Material that covers both GBS and SBS can be found in the GBS section. Research into BS has produced a number of insights and consequently there is a large amount of material which aims to provide guidance for improving the quality of BS initiatives.

Donors have undertaken several studies to examine their own budget support programmes. Most donors have (or had) a combination of GBS and SBS programmes, with GBS programmes generally being in the majority. Case studies on partner countries look at regions (e.g. Africa), a set of countries (e.g. Mozambique and Zambia) or individual partner countries. Within the SBS literature the case studies focus on individual sectors within a country.

Though the literature which addresses specific sectors or themes tends to relate to SBS, there are studies which look at supporting sectors in the context of wider national structural changes (e.g. Vatn & Vedeld, 2012). There are also studies that look to use GBS to address specific sectors. For example, there are documents on addressing deforestation to address environmental concerns (Bird et. al., 2006; Bird & Cabral, 2007), or studies looking at governance, for example on Public Financial Management (de Renzio et al. 2010).

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<sup>1</sup> General budget support is a sub-category of direct budget support. In the case of general budget support, the dialogue between donors and partner governments focuses on overall policy and budget priorities. Source: OECD Glossary <http://www.oecd.org/site/dacsmgd11/glossary.htm#G>

<sup>2</sup> Sector budget support is a sub-category of direct budget support. Sector budget support means that dialogue between donors and partner governments focuses on sector-specific concerns rather than on overall policy and budget priorities Source: OECD Glossary <http://www.oecd.org/site/dacsmgd11/glossary.htm#S>

The limited time for this query and the very extensive literature that relates to budget support, has meant that this literature review is not comprehensive. This has also meant it has not been possible to provide an assessment of the strength of the overall bodies of evidence, nor has it been possible to provide an appraisal of the quality of individual studies.

A number of studies were referred to in various donor documents which were not readily available and were not included in this review. There is likely to be a significant body of literature, specifically donor literature, which has not been made publicly available.

## 2 Value of budget support as an aid modality

This section covers literature which evaluates budget support, as an aid modality, in relation to various criteria including delivering services, improving governance, transaction costs and value for money.

**Glennie, J., McKechnie, A., Rabinowitz, G., Ali, A. (2013) *Localising Aid: Sustaining change in the public, private and civil society sectors*. Overseas Development Institute, Centre for Aid and Public Expenditure. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8284.pdf>**

The report is based on literature analysis and country studies in Guatemala, Liberia and Uganda. This report finds that “localised aid” (aid money transferred directly to or through national entities) including budget support must be considered a critical element in any aid strategy aimed at strengthening country systems. Localising aid can be an important tool in many contexts, including strengthening the state and the private sector, but also notes that other modalities also have a place.

**ICAI. (2012). *Management of UK Budget Support Operations. Report 9*. UK: Independent Commission for Aid Impact (ICAI). <http://www.oecd.org/derec/50359937.pdf>**

This evaluation assesses DFID’s allocation and management of budget support operations. It is based on a review of available literature and evaluations on past budget support operations, policies and guidance on budget support, and interviewing senior management and policy teams. The report concludes that in the right conditions, budget support can offer an effective and efficient way of providing development assistance. Its value varies according to the country context and the dynamics of the development partnership. The amount of budget support should be determined by reference to the policy and institutional environment and be balanced by other aid instruments.

**IOB. (2012). *Budget support: Conditional Results. Review of an instrument (2000-2011)*. IOB Evaluation No. 369. Policy and Operations Evaluation Department (IOB). Netherlands: Ministry of Foreign Affairs. [http://www.oecd.org/derec/netherlands/IOB\\_BS.pdf](http://www.oecd.org/derec/netherlands/IOB_BS.pdf)**

This report evaluates how the Netherlands has implemented budget support over the past ten years, as well as providing a more general review of the results of budget support. It is based on individual case studies of countries that receive budget support and international comparative econometric research. The study finds that budget support has helped to improve access to education and health

care. Poorer and more rural communities often benefited from this support. It had a limited impact on increasing the incomes of the poorest groups.

Related Documents:

**IOB. (2012). *Budget support: Conditional Results. Case Studies. IOB Evaluation No. 369.* Policy and Operations Evaluation Department (IOB). Netherlands: Ministry of Foreign Affairs. [http://www.oecd.org/derec/netherlands/iob-case-studies-budget-support-conditional-results\[1\].pdf](http://www.oecd.org/derec/netherlands/iob-case-studies-budget-support-conditional-results[1].pdf)**

**IOB. (2012). *Budget support: Conditional Results. Case Studies. IOB Evaluation Newsletter.* Policy Brief. Policy and Operations Evaluation Department (IOB). Netherlands: Ministry of Foreign Affairs. <http://www.oecd.org/derec/netherlands/policybrief.pdf>**

**Molenaers, N. (2012) *The Great Divide? Donor perceptions of budget support, eligibility and policy dialogue.* *Third World Quarterly* 33(5). <http://dx.doi.org/10.1080/01436597.2012.677311>**

Budget Support (BS) has been considered the aid modality that best realises the Paris Declaration principles of alignment, harmonisation and respect for recipient ownership. The design of the modality has a strong technocratic focus, and the OECD/DAC has endorsed the idea that BS should be delinked from broader political concerns. In reality, however, donors do use BS to leverage more and better democratic governance. This political use of BS is not limited to exceptional moments when the political situation seriously deteriorates in certain countries.

**Dom, C., and Gordon, A. (2011) *Budget Support in Fragile Situations.* Oxfam Discussion Paper. Mokoro Ltd and Oxfam. <http://www.oxfam.org/sites/www.oxfam.org/files/dp-budget-support-fragile-situations-111111-en.pdf>**

This study is based on a wide-ranging literature review; a number of earlier studies related to budget support, aid effectiveness more broadly, and fragility; and three small-scale country studies in Burundi, DRC and Ethiopia. The study provides insights into the rationale, challenges and kinds of conditions applied to budget support to fragile states; the effects of budget support on spending and delivery of basic social and agricultural services, as well as on the experiences of parliaments and civil society/communities in the study countries with regards to the ability to hold governments and donors to account for public spending.

**Vanheukelom, J., Colin, S., & van Seters, J. (2011) *The future of EU budget support to third countries?* Report of the consultation with experts from Civil Society Organisations on the EU Green Paper on Budget Support. Brussels, 13 December 2010. Brussels: European Centre for Development Policy Management.**

[http://www.ecdpm.org/Web\\_ECDPM/Web/Content/Download.nsf/0/F1F4E18561A684FCC125785E006B97EC/\\$FILE/Future%20of%20budget%20support\\_Briefing%20note22\\_final.pdf](http://www.ecdpm.org/Web_ECDPM/Web/Content/Download.nsf/0/F1F4E18561A684FCC125785E006B97EC/$FILE/Future%20of%20budget%20support_Briefing%20note22_final.pdf)

The use of budget support is under pressure because of questions about the impact and results of this aid modality, questions also about quality and value for money. This report summarises a one-day seminar involving experts from think tanks, academia and NGOs to share and discuss findings, evidence and experiences related to budget support. Issues discussed include the roles of political dialogue, policy dialogue, and conditionality; the performance and results agenda; domestic and mutual accountability; programming of budget support and its coherence with other instruments; strengthening risk assessment and dealing with fraud and corruption; budget support in situations of fragility; and growth, fiscal policy and mobilisation of domestic revenues.

**Hayman, R. (2011). Budget Support and Democracy: a twist in the conditionality tale. *Third World Quarterly*, 32(4), 673-688. <http://dx.doi.org/10.1080/01436597.2011.566998>**

Budget support, in theory has multiple benefits over other forms of aid in terms of attaining poverty reduction and development objectives. However, recent years have seen several incidents of budget support being frozen, halted or redirected because of slippage in the democratic credentials of certain countries, including Ethiopia, Uganda, Nicaragua, Honduras, Madagascar and Rwanda. This article analyses these incidents in relation to debates over aid conditionality. It finds that donors are willing to apply political conditionality when otherwise good performing governments go politically astray, but it questions whether budget support is a viable instrument for pushing for democratic change. Co-ordinated donor action appears to be increasing, but aid flows to the countries discussed remain high and the governments in question tend to be dismissive in the face of such pressure.

**Clist, P., Isopi, A., & Morrissey, O. (2012). Selectivity on aid modality: Determinants of budget support from multilateral donors. *The Review of International Organizations*, 7(3), 267-284. <http://dx.doi.org/10.1007/s11558-011-9137-2>**

This paper argues that multilateral donors will cede more recipient control over aid by granting more budget support to those recipients with better expenditure systems and spending preferences (towards the poor) aligned with the donor. Using econometric analysis, the study tests this for European Commission and World Bank budget support over 1997–2009 and finds some support. Both donors have given budget support to almost half of the countries they give aid, and it is usually a significant share of their aid. The principal determinants of receiving budget support are having a poverty reduction strategy in place, which can be considered a good indicator of aligned preferences, and indicators of government efficiency. These variables did not, however, influence the amount of budget support given.

**ECORYS. (2010). *Evaluation Comparative Review of Austrian Development Cooperation's Budget Support Operations. Volume 1: Main Report*. Austria: Austrian Development Cooperation. <http://www.oecd.org/derec/austria/46472255.pdf>**

The overall objective of this review is to provide the Austrian Ministry of European and International Affairs and the Austrian Development Agency with an assessment of the use of budget support as an aid modality to date, and how budget support creates synergies to other modalities used by Austrian Development Cooperation's (ADC). The study found that joining existing budget support operations proved pragmatic and mitigated problems caused by an underdeveloped strategic outlook. ADC needs to continue to develop a strategic outlook if the Ministry of Foreign Affairs and ADA wish to advance specific objectives.

**African Development Bank (2010) *Evaluation of Policy Based operations in the African Development Bank, 1999-2009: Review of Literature and Experience*. African Development Bank, Operations Evaluation Department.**

<http://www.afdb.org/fileadmin/uploads/afdb/Documents/Evaluation-Reports/Literature%20review%20FINAL%20DRAFT.pdf>

This review of literature and experience aims to summarise the main lessons that have emerged from the use of policy based operations (PBOs), focusing on lessons from the academic and policy literature as well as from the implementation experience of different agencies undertaking PBOs including the emerging evidence on good practice. PBOs need to be designed in partnership with recipient governments and other donors to ensure country ownership, as well as for a strong focus on developing an appropriate complementarity between PBOs and other forms of support.

**Knoll, M. (2008). *Budget support: a reformed approach or old wine in new skins?* No. 190. United Nations Conference on Trade and Development. [http://unctad.org/en/docs/osgdp20085\\_en.pdf](http://unctad.org/en/docs/osgdp20085_en.pdf)**

Multi-donor budget support is an increasingly important modality for aid delivery. This paper identifies deficiencies evident in three areas:

- the volatility of budget support funding remains high, undercutting national-budget sustainability;
- the non-BWI donor community is overly reliant on conditionality formulated by the World Bank and IMF, conditionality that is ideologically coloured and often inconsistent with PRSPs; and
- the process towards harmonization and alignment is slow and sluggish, complicated by donor concerns over visibility and influence as well as deficiencies in recipient financial management systems, a lack of transparency, and weak links between national budgets and poverty-reduction strategies.

**Cordella, T., & Dell'Ariccia, G. (2007). *Budget Support Versus Project Aid: A Theoretical Appraisal*. *The Economic Journal*, 117(523), 1260-1279. <http://dx.doi.org/10.1111/j.1468-0297.2007.02082.x>**

Using econometric analysis the paper finds that budget support is preferable to project aid when the preferences of donors and recipients are aligned, and when assistance is small relative to the

recipients' own resources. Furthermore, when donors cannot observe the recipient's type, they may impose higher levels of conditionality to separate committed governments from uncommitted ones.

**Jain, S. (2007). Project assistance versus budget support: An incentive-theoretic analysis of aid conditionality. *Review of World Economics*, 143(4), 694-719. <http://dx.doi.org/10.1007/s10290-007-0128-6>**

Foreign aid is conveyed predominantly in the form of project assistance, rather than general budgetary support for the recipient government. Most theoretical explanations of this phenomenon centre on the possibility of a divergence of preferences, or opinions, between donor and recipient. Projects or conditional transfers, rather than “cash”, may then be ways by which donors align the recipients' incentives more closely with their own preferences. This paper proposes an alternative, complementary, explanation, based on information asymmetries between voters in donor nations, and their aid agency administrators. If voters are uncertain about the “type” of their administrator agent, who is better informed about the efficacy of alternative policies, then project assistance may be chosen, even when budget support provides a more efficient alternative.

**Arimoto, Y., & Kono, H. (2009). Foreign aid and recurrent cost: donor competition, aid proliferation, and budget support. *Review of development economics*, 13(2), 276-287. <http://dx.doi.org/10.1111/j.1467-9361.2008.00486.x>**

The authors consider aid proliferation—excess aid investment relative to recurrent cost—as a potential cause that undermines aid effectiveness, because aid projects can only produce sustainable benefits when sufficient recurrent costs are disbursed. The authors consider the donor's budget support as a device to supplement the shortage of the recipient's recurrent cost and to alleviate the misallocation of inputs. However, when donors have self-interested preferences for the success of their own projects over those conducted by others, the donors provide insufficient budget support relative to aid, which results in aid proliferation. Moreover, aid proliferation is shown to be worsened by the presence of more donors.

**Selaya, P., & Thiele, R. (2012). The Impact of Aid on Bureaucratic Quality: Does the Mode of Delivery Matter? *Journal of International Development*, 24(3), 379-386. <http://dx.doi.org/10.1002/jid.1759>**

Using econometric analysis from 1995-2005 data from the International Country Risk Guide and the OECD's Crediting Reporting System this paper finds that the impact of foreign aid on bureaucratic quality in recipient countries varies with the mode of delivery. Grants are found to impair the functioning of the bureaucracy, whereas loans are not. The negative impact of grants is larger when they are given as budget support rather than as assistance for specific projects or for programmes in general. The probability of adverse effects rises with the degree of discretion recipients have over the incoming resources, which is in conflict with donors' recent emphasis on strengthening local ownership by limiting the conditions attached to foreign aid.

## 3 General Budget Support (GBS)

### 3.1 Evaluation of GBS as an aid modality

This section covers literature which evaluates GBS, a sub-category of direct budget support, as an aid modality in relation to various criteria. The criteria include delivering health services, improving governance, improving growth and in helping achieve the Millennium Development Goals.

**Furukawa, M., and Takahata, J. (2013) *Is GBS Still a Preferable Aid Modality?* Japan International Cooperation Agency Research Institute.**

[http://repository.ri.jica.go.jp/dspace/bitstream/10685/83/1/JICA-RI\\_WP\\_No.50\\_2013.pdf](http://repository.ri.jica.go.jp/dspace/bitstream/10685/83/1/JICA-RI_WP_No.50_2013.pdf)

This paper attempts to assess the effect of GBS by using panel data on government revenue, expenditure, and social indicators for the 10-year period from 1997 to 2006. The countries assessed were developing countries whose gross national income (GNI) was less than 11,455 US dollars in 2007. This paper focuses on the health sector as a representative social sector. The results show that GBS in fact increases the budget allocation for the health sector more than tax revenue does. However, the effect of government health expenditure on health indicators is not necessarily improved by the introduction of GBS, which indicates that the introduction of GBS alone has limited impact. The paper suggests that the complementarity between GBS and projects or programmes focusing on human and institutional capacity development should be seriously considered.

**Eberhard, A. and Beynon, J. (2012). *Conditionality, Predictability and Performance: A Study of EDF 9 General Budget Support Programmes.* EU Development Policy Directorate. (Not available online).**

This study reviews reviewing experience with European Development Fund (EDF) 9 general budget support programmes, covering commitments worth EUR2.3bn to 37 programmes in 25 countries. The study finds that result-based payment approaches through the use of variable tranches (VTs) accounted for an average 41% of initial commitment. Initial analysis suggests that there is no correlation between the share of a variable tranche and its disbursement rate. There is some evidence that incentive effects increase over time, and may be stronger in weak policy environments than in good policy environments.

**Bigsten, A., Tengstam, S., Platteau, J. P., & Aldashev, G. (2011). *The Aid Effectiveness Agenda: The Benefits of Going Ahead.* Turin: SOGES SpA for the European Commission.**

[http://ec.europa.eu/europeaid/how/ensure-aid-effectiveness/documents/benefits\\_of\\_going\\_ahead-aid\\_effectiveness\\_agenda\\_en.pdf](http://ec.europa.eu/europeaid/how/ensure-aid-effectiveness/documents/benefits_of_going_ahead-aid_effectiveness_agenda_en.pdf)

The study estimated the gains that can be made in terms of aid effectiveness by the implementation of the commitments of the Paris Declaration and the Accra Agenda for Action by the EU and its member states. This involved a literature review and econometric analysis. The study found a robustly statistically significant effect on growth of budget support in a regression analysis. As donors increase the share of aid given as budget support by 11%, the aggregate GDP level of recipients the following year can be increased by €1800 million. At the same time the authors emphasise that this is measured with low precision and is a somewhat uncertain estimate.

**Beynon, J. & Dusu, A. (2010). *Budget Support and MDG Performance*. Brussels: European Commission, Development Paper No. 2010/01.**

[http://www.gopa.de/uploads/media/budget\\_support\\_MDG\\_performance\\_development\\_paper\\_en.pdf](http://www.gopa.de/uploads/media/budget_support_MDG_performance_development_paper_en.pdf)

This study analyses the relationship between the provision of GBS and MDG performance. The study finds that high GBS recipients have performed better, often significantly so, in all four MDGs assessed (primary enrolment, gender parity in education, child mortality, and access to water), as well as in terms of improvements in the Human Development Index, in the period 2002-2007.

**IDD and Associates (2006). *Evaluation of General Budget Support: Synthesis Report: Executive Summary*. University of Birmingham.**

[http://www.aideffectiveness.org/media/k2/attachments/Evaluation\\_of\\_General\\_Budget\\_Support\\_Synthesis\\_Report.pdf](http://www.aideffectiveness.org/media/k2/attachments/Evaluation_of_General_Budget_Support_Synthesis_Report.pdf)

This synthesis report covers findings from seven country case studies (Burkina Faso, Malawi, Mozambique, Nicaragua, Rwanda, Uganda and Vietnam), and also draws wider conclusions. The evaluation methodology was based on the standard OECD DAC evaluation criteria and a logical framework approach to spelling out successive levels of inputs, immediate effects, outputs, outcomes and impacts. The study finds that Partnership General Budget Support (PGBS) has been a relevant response to certain acknowledged problems in aid effectiveness. PGBS can be an efficient, effective and sustainable way of supporting national poverty reduction strategies. Provision of discretionary funds through national budget systems has produced systemic effects on capacity, and particularly capacity for public finance management. PGBS tends to enhance the country-level quality of aid as a whole, through its direct and indirect effects on coherence, harmonisation and alignment.

Related documents:

**IDD and Associates (2007). *Evaluation of General Budget Support: Note on Approach and Methods*. Birmingham: University of Birmingham, International Development Department.**

<http://www.oecd.org/dac/evaluation/dcdndep/38339122.pdf>

The note is not a comprehensive review of evaluation methodology, nor is it a manual for future evaluations of budget support. It is instead meant to be a convenient reference point for those who carry such work forward.

**IDD and Associates (2006). *Partnership General Budget Support - Overall Findings*. University of Birmingham. <http://www.oecd.org/dac/evaluation/dcdndep/37421292.pdf>**

This document summarises key findings of the above study on: Expectations and Design of PGBS, PGBS effects on Public, Expenditures and Service Delivery, PGBS Effects on Poverty and Growth, Institutional Effects of PGBS, and PGBS and Aid Effectiveness.

**IDD and Associates (2006). *Partnership General Budget Support: Synthesis Brief*. University of Birmingham. <http://www.oecd.org/dac/evaluation/dcdndep/37421277.pdf>**

This synthesis brief summarises the above synthesis report.

The following Thematic Papers provide further details on findings from the above study and on GBS:

**IDD and Associates (2006). *What are the effects of General Budget Support?* Birmingham: University of Birmingham, International Development Department. <http://www.oecd.org/dac/evaluation/dcdndep/38339258.pdf>**

**IDD and Associates (2006). *When and how should General Budget Support be used?* Birmingham: University of Birmingham, International Development Department. <http://www.oecd.org/dac/evaluation/dcdndep/38339275.pdf>**

**IDD and Associates (2006). *How can the risks of General Budget Support be managed?* Birmingham: University of Birmingham, International Development Department. <http://www.oecd.org/dac/evaluation/dcdndep/38339285.pdf>**

**IDD and Associates (2006). *How does General Budget Support affect ownership and accountability?* Birmingham: University of Birmingham, International Development Department. <http://www.oecd.org/dac/evaluation/dcdndep/38339304.pdf>**

**IDD and Associates (2006). *GBS – Policy Questions and Answers*. Birmingham: University of Birmingham, International Development Department. <http://www.oecd.org/dac/evaluation/dcdndep/38339331.pdf>**

IDD and Associates (2006). *GBS – General Questions and Answers*. Birmingham: University of Birmingham, International Development Department.

<http://www.oecd.org/dac/evaluation/dcdndep/38339341.pdf>

Molenaers, N. and Renard, R. (2011). *Budget Support and Political Conditionalities*. Policy brief 1. The Aid Architecture Debate: Beyond Busan. Antwerp: Institute for Development Policy and Management. <http://www.ua.ac.be/download.aspx?c=.BOS&n=95492&ct=86170&e=261356>

The Research Platform on Aid Effectiveness studies the ‘new aid architecture’ (NAA) from four angles:

- political economy of aid, reform and governance;
- monitoring and evaluation;
- gender; and
- macroeconomic and fiscal dimensions of aid.

The study finds diverse perceptions and preferences regarding the governance focus of GBS. This influences the eligibility criteria of GBS, as well as the frequency and rigour with which donors assess compliance with these eligibility criteria. Perceptions and preferences regarding the governance focus of GBS influence the relative importance that donors attach to the political underlying principles that are specified in the Memorandum of Understanding. These perceptions and preferences influence the ways in which donors conceive their role in the more technocratically oriented policy dialogue, as well as the extent to which they wish to address more politically oriented issues at the policy-dialogue table.

## 3.2 Guidance literature for GBS

This section covers literature that provides relevant insights that help design GBS programmes.

Tavakoli, H., and Smith, G. (2013). *Back under the Microscope: Insights from Evidence on Budget Support*. *Development Policy Review*, 31 (1). <http://dx.doi.org/10.1111/j.1467-7679.2013.00601.x>

This article analyses evidence for the expected benefits of budget support, and finds that there have been big improvements in the pro-poor nature of public expenditure and public financial management. The article finds that as a result of budget support, more modest improvements are noted in the predictability of aid and the burden of transaction costs, while less is known about the real effects on domestic accountability. The article highlights seven recommendations for improving budget support: set clear, prioritised objectives; collect better data on transaction costs; improve

measurement of how public expenditure allocation is improved; minimise the unpredictability of aid flows; maintain efforts to improve central government functions, particularly in public financial management; ensure that officials involved in policy dialogue understand country institutions; and increase the stock of evidence that examines or tests budget support.

Related documents:

**Tavakoli, H., & Smith, G. (2011). *Insights from Recent Evidence on some Critical Issues for Budget Support Design*. London: ODI. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/6730.pdf>**

This Background Note explores recent evidence on Budget Support to understand how such support has performed over time against its original rationale and expectations. The authors find that performance has improved over time in a number of areas (particularly transaction costs and increased effectiveness of partner country public financial management systems). Limited evidence, however, and the complexity of measuring progress on some of the benefits, has resulted in an inconclusive picture.

**European Commission (2012) *Budget Support Guidelines Programming, Design and Management: A modern approach to Budget support*. European Commission.**

[http://ec.europa.eu/europeaid/how/delivering-aid/budget-support/documents/budget\\_support\\_guidelines\\_part-2\\_en.pdf](http://ec.europa.eu/europeaid/how/delivering-aid/budget-support/documents/budget_support_guidelines_part-2_en.pdf)

These guidelines aim to promote consistency, clarity of approach, and necessary operational flexibility to ensure that new budget support programmes comply with the new policy direction set out in the budget support Communication and corresponding Council Conclusions. The scope of these guidelines covers all budget support programmes provided by the European Commission to “third countries” (that is countries other than the Member States, Accessing countries, candidate countries, and potential candidate countries of the European Union). The main body of these guidelines is designed to provide a comprehensive overview of how the new Communication will be operationalised, summarising why and how the EU will provide budget support.

Related documents:

**European Commission (2012) *Budget Support Guidelines Executive Guide: A modern approach to Budget support*. [http://ec.europa.eu/europeaid/how/delivering-aid/budget-support/documents/budget\\_support\\_guidelines\\_part-1\\_en.pdf](http://ec.europa.eu/europeaid/how/delivering-aid/budget-support/documents/budget_support_guidelines_part-1_en.pdf)**

These guidelines reflect the new EC policy on budget support. The following main principles and elements will be applied within the new policy framework that aims at strengthening the contractual partnership on EU budget support between the EU and partner countries: stronger link with the fundamental values of human rights, democracy and rule of law; greater differentiation of budget support contracts, allowing the EU to respond better to the political, economic and social context of the partner country; strengthened eligibility criteria and more structured assessment; stronger focus on accountability and transparency; strengthened decision-making process and structures, as well as

risk management framework for EU budget support; stronger emphasis on results, performance, predictability and ownership; and strengthened EU coordination.

**European Commission (2011) *The future approach to EU budget support to third countries*. COM(2011) 638 final. [http://ec.europa.eu/europeaid/how/delivering-aid/budget-support/documents/future\\_eu\\_budget\\_support\\_en.pdf](http://ec.europa.eu/europeaid/how/delivering-aid/budget-support/documents/future_eu_budget_support_en.pdf)**

In this Communication, the Commission sets out a new policy on budget support and puts forward policy proposals for an EU coordinated approach. It aims to adapt budget support policy to the changing political and policy environment, including the Treaty of Lisbon, and to make EU budget support a more effective instrument. Member States may also consider these as recommendations as regards to their bilateral budget support, in order to achieve a coordinated approach by the EU as a whole.

**Carter, R., & Lister, S. (2007). *Budget support: As good as the strategy it finances*. Social Watch Report. <http://old.socialwatch.org/en/informesTematicos/124.html>**

This article draws largely on the Joint Evaluation of General Budget Support which the authors were involved in (see IDD and Associates (2006) in section 3.1). It discusses the relevance of budget support to financing the Millennium Development Goals (MDGs), how budget support should be designed and what attitude civil society organisations should adopt towards it. Budget support is an effective instrument when the government is implementing a poverty reduction strategy or a development strategy that its aid partners broadly support. The governments must be able to maintain economic discipline and control public expenditures, and there must be a high level of trust between the government and its partners.

**Koeberle, S., Stavreski, Z. and Walliser, J. (eds) (2006). *Budget Support as More Effective Aid? Recent Experiences and Emerging Lessons*. Washington: The World Bank. [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2006/04/27/000090341\\_20060427100443/Rendered/PDF/359670Budget0Support01PUBLIC1.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2006/04/27/000090341_20060427100443/Rendered/PDF/359670Budget0Support01PUBLIC1.pdf)**

This book presents a review of key concepts, issues, experiences and emerging lessons relevant to budget support. It provides an overview of principal characteristics, expectations and concerns related to budget support, key design and implementation issues, as well as some practical experiences. The contributors include government representatives from developing countries, leading academic scholars, bilateral development agencies and development practitioners from international financial institutions.

**OECD. (2006). *Harmonising Donor Practices for Effective Aid Delivery: Volume 2: Budget Support, Sector Wide Approaches and Capacity Development in Public Financial Management*. Organisation**

for Economic Co-Operation and Development.

[http://www.aideffectiveness.org/media/k2/attachments/Dac\\_2\\_SWAP\\_PFM\\_BUDGET\\_1.pdf](http://www.aideffectiveness.org/media/k2/attachments/Dac_2_SWAP_PFM_BUDGET_1.pdf)

This chapter addresses the design and management issues that arise when donors have decided to provide budget support. It puts forward a set of good practices on how donors can best deliver budget support in ways that maximise its developmental benefits while reinforcing partners' capacity to achieve aggregate fiscal discipline, strategic allocation of funds, value for money, and probity in the use of public monies which are all key objectives of public financial management (PFM) systems. It also provides donors with benchmarks for behaviour when providing budget support. The guiding principles and common themes are that: partner country ownership is essential, partner country PFM is vital; donors need to act within an explicit, government-owned framework that is strategic and programmatic; and donors need to be sensitive to country contexts. There is also a need for better use of shared analysis amongst donors and a need for aid to be more predictable.

**NAO (2008). *Department of International Development: Providing Budget Support to Developing Countries*. National Audit Office, London.**

<http://www.publications.parliament.uk/pa/cm200708/cmselect/cmpubacc/395/395.pdf>

Providing budget support has been effective in helping developing country governments deliver basic services to some of the world's most vulnerable people. But to ensure that money provided by the UK is spent by governments in the most efficient and effective way and that it reaches the people who need it, DFID needs to improve further some of the basics. These include setting more precise objectives, monitoring progress more systematically, and clarifying the risks to UK funds.

Related documents:

**Lazare, M. (2008). *Is Providing Budget Support to Developing Countries Effective?* Evaluation of DFID's Direct Budget Support by UK's National Audit Office. Blog Post. Public Financial Management Blog. Washington D.C.: IMF. <http://blog-pfm.imf.org/pfmblog/2008/03/is-providing-bu.html>**

**Koch, S., & Morazan, P. (2010). *Monitoring Budget Support in Developing Countries: A Comparative Analysis of National Control Mechanisms*. Brussels: European Parliament, Report No. PE 410.210. [http://www.suedwind-institut.de/fileadmin/fuerSuedwind/Publikationen/2010\\_Inhalt/2010-11\\_Inhalt\\_Monitoring\\_Budget\\_Support.pdf](http://www.suedwind-institut.de/fileadmin/fuerSuedwind/Publikationen/2010_Inhalt/2010-11_Inhalt_Monitoring_Budget_Support.pdf)**

This study aims to assess the effectiveness of developing countries' national control mechanisms in overseeing budget support. 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. 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.

**Faust, J., Koch, S., Molenaers, N., Tavakoli, H. and Vanheukelom, J. (2012). *The future of EU budget support: political conditions, differentiation and coordination*. Bonn: German Development Institute, Antwerp: Institute of Development Policy and Management (IOB), London: Overseas Development Institute, and Brussels: European Centre for Development Policy Management. <http://www.oecd.org/dac/evaluation/dcdndep/50363784.pdf>**

This paper documents a literature review and analysis on EU budget support. Four interrelated messages have emerged from this analysis:

- The idea of accounting for political conditions in varying degrees to sector and general budget support operations makes little sense from a purely technical perspective.
- The Communication and the Council Conclusions are rather ambiguous on how political conditions in a recipient country will be tied to budget support operations.
- If rigid selectivity is pursued and the EC aligns with the same restrictive budget support policy of member states, it may undermine the EC's.
- For budget support to leverage performance changes in democratic governance, the EC and EU member states would need to introduce conditionalities that are in touch with existing reform efforts.

**Bökkerink, S. (2008). *Fast Forward: How the European Commission can take the lead in providing high quality budget support for education and health*. Oxfam Briefing Paper Oxford: Oxfam. [http://www.oxfam.org/sites/www.oxfam.org/files/bp111\\_ec\\_aid\\_fast\\_forward\\_0805.pdf](http://www.oxfam.org/sites/www.oxfam.org/files/bp111_ec_aid_fast_forward_0805.pdf)**

Developing-country governments desperately need more long-term and predictable aid, given through their budgets, to finance the expansion of health care, education, and other vital social services. The European Commission (EC) is one of the biggest donors providing this kind of essential budget support, and has innovative plans to further improve and increase this aid. European Union (EU) member states must support these ambitious plans. The EC in turn must do more to improve on this good start, de-linking this aid from harmful International Monetary Fund (IMF) prescriptions, putting an end to unnecessary bureaucratic delays, and doing more to make its aid accountable to citizens in poor countries.

**Faust, J., Koch, S. and Leiderer, S. (2011). *Multi-Donor Budget Support: Only Halfway to Effective Coordination*. Briefing Paper 8. Bonn: German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE). <http://www.oecd.org/dac/evaluation/dcdndep/50036948.pdf>**

This paper reviews quantitative and qualitative literature on Multi-Donor Budget Support (MDBS). So far, donors have failed to establish a consensus on the hierarchy of potentially conflicting goals to be pursued with the instrument. In practice, this failure obstructs the creation of coherent incentive systems for recipients necessary for achieving more long-term governance goals. Given the

dominant role of European donors in the provision of MDBS, this consensus building should be a priority of the ongoing coordination efforts between EU member states and the European Commission.

**van der Linde, M., & Valmarana, C. (2010). *Evaluating Budget Support: Methodological Approach*. ECORYS and DRN. Paris: OECD DAC Network on Development Evaluation.**

<http://www.oecd.org/dac/evaluation/dcdndep/Methodological%20approach%20BS%20evaluation%20Sept%202012%20with%20cover%20Thi.pdf>

This document presents a methodological framework and approach for evaluating the contribution of budget support programmes to targeted development outcomes and impact. The key distinctive features of the proposed methodology are the Comprehensive Evaluation Framework (CEF) which sets out the hypothesised sequence of effects of budget support programmes across five analytical levels (budget support inputs, direct outputs, induced outputs, outcomes and impact) included in – and interacting with – the overall national context within which budget support is provided.

### 3.3 Country case studies

This section covers case studies focused on partner countries. The first part of this section covers a number of case studies that examine the implementation of budget support in several countries or a specific region. The second part of this section looks at case studies on individual countries.

#### 3.3.1 Regional and multiple country case studies

##### *Africa*

**SPA BSWG. (2009). *Survey of Budget Support, 2008*. Strategic Partnership with Africa Budget Support Working Group (SPA BSWG).**

**Volume 1 - Main Findings.** <http://www.spasurvey.info/help/notes/2008reportv1en.pdf>

**Volume 2 - Detailed Findings.** <http://www.spasurvey.info/help/notes/2008reportv2en.pdf>

The Strategic Partnership with Africa Budget Support Working Group (BSWG) has, since 2003, commissioned annual surveys of the relationship between direct budget support and national Poverty Reduction Strategy (PRS) processes.

##### *Mali, Zambia and Tunisia*

**Caputo, E. et al. (2011). *Application of new approach to the evaluation of Budget Support operations: Findings from Mali, Zambia and Tunisia. Synthesis of main results. A synthesis report from the OECD DAC Network on Development Evaluation. Assignment carried out on behalf of the European Commission.* <http://www.oecd.org/dac/evaluation/dcdndep/49833212.pdf>**

This synthesis report provides an overview of the main findings and conclusions emerging from the three evaluations of budget support operations in Mali, Tunisia and Zambia. Main findings on the outputs of the budget support programmes:

- The design of budget support has been appropriate to country contexts, with effective dialogue frameworks to accompany policy implementation and diversified technical assistance provided.
- However, alignment with partner countries' priorities and harmonisation among donors are far from complete.
- Budget support operations have contributed to increasing public financial resources and strengthening budget management. They have contributed to increased discretionary expenditure and allocative efficiency in national budgets.
- Programmes have provided effective support to implementation of public financial management and other reforms where government and society were committed thereto, but they have proved incapable of "buying" reform, confirming findings from other research.

Related documents:

**Caputo, E., de Kemp, A., and Lawson, A. (2011). *Assessing the impacts of budget support: Case studies in Mali, Tunisia and Zambia.* Evaluation Insights: Budget Support. Number 2. Network on Development Evaluation of the OECD Development Assistance Committee (DAC). <http://www.oecd.org/derec/50313762.pdf>**

This document summarises the key findings from the Caputo et al. (2011) synthesis document.

### ***Mozambique and Zambia***

**Molenaers, N., Cepinskas, L., and Jacobs, B. (2010) *Budget support and policy/political dialogue Donor practices in handling (political) crises.* Instituut voor Ontwikkelingsbeleid en -Beheer. <http://www.ua.ac.be/objs/00256641.pdf>**

The paper presents a substantial analysis of Mozambique and Zambia where two recent political crises were successfully resolved by five donor countries. The authors argue that using budget support to drive both democratic and economic change is hazardous. Acknowledging the synergy between policy and political dialogues, the paper posits that technocratic and democratic issues should be separated because there are obvious trade-offs between them. Democratic governance

issues should be dealt with in a separate high level forum, and in a pro-active rather than reactive way. In addition, donors need to ensure their interventions do not undermine recipient countries efforts to democratize. In effect, they should lower their ambitions with regard to what they can do - change cannot be bought, it can only be supported; and with regard to what recipient governments can do as even when there is commitment, change is most often gradual, not in big leaps. If anything, politics and political savvy should be brought in more, because every reform (however technocratic) is profoundly political.

### 3.3.2 Single country case studies

#### **Burkina Faso**

**IDD and Associates (2006). *Partnership General Budget Support: Burkina Faso Brief*. Birmingham: University of Birmingham, International Development Department.**

<http://www.oecd.org/dac/evaluation/dcdndep/37420062.pdf>

The Joint Evaluation of General Budget Support 1994–2004 was to assess to what extent and under what circumstances GBS is relevant, efficient and effective for achieving sustainable impacts on poverty reduction and growth. The study found that with budget support more aid funds appear in the government budget, and the government has more flexibility in allocating funds to its priorities. There is a better balance between capital and recurrent spending. The volume and the share of all resources going to the social sectors have increased. Transaction costs of using aid have declined. The cost of financing the budget has also been reduced. Partnership General Budget Support (PGBS) is absorbed more rapidly than project aid; has helped to reinforce macroeconomic stability; and led to increased harmonisation of aid, and more use of government systems.

#### **Ghana**

**Woll, B. (2008). Donor harmonisation and government ownership: multi-donor budget support in Ghana. *The European Journal of Development Research*, 20(1), 74-87.**

<http://dx.doi.org/10.1080/09578810701853215>

Multi-donor budget support mechanisms are an important tool for granting greater autonomy to the recipient government and for increasing its discretion to spend the public budget. In order to assure proper management of the public budget in Ghana, donors applied pressure for inclusion of a list of reform elements that the government had to implement in order to receive the full funding. To understand whether this type of conditionality can be successful, this article explores the underlying concept of ownership and analyses the power relationships between donors and the recipient. The article illustrates that the Ghanaian government formulated development strategies with a view of pleasing the donors but with little intention to alter conventional patterns of everyday politics.

**Lawson, A., Boadi, G., Gharthey, A., Gharthey, A., Killick, T., Kizilbashi, Z., and Williamson, T. (2007).** *Joint Evaluation of Multi-Donor Budget Support to Ghana: Evaluation of Outputs, Outcomes & Impacts and Recommendations on Future Design & Management of Ghana MDBS*. London: ODI.

<http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/247.pdf>

Using the enhanced evaluation framework for budget support, developed under the OECD-DAC's seven country evaluation of budget support, the evaluation finds that the budget support process had a positive impact overall and helped support reforms in ways that other aid modalities would not have done.

Related documents:

**Killick, T. and Lawson, A. (2007).** *Budget support to Ghana: A risk worth taking? ODI Briefings 24*. London: ODI. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/226.pdf>

This paper argues that donors have taken risks and made important contributions to Ghana by providing aid as budget support. In particular, budget support in Ghana has supported reforms in ways that other aid modalities would not have done. However, it has neither reduced risks nor maximised benefits. The paper argues that re-design is needed, with a focus on its effectiveness as a tool for budget financing, rather than for policy leverage.

**Killick, T. (2007)** *Budget support to Ghana: A risk worth taking? Briefing paper 24*. London: Overseas Development Institute. <http://www.aideffectiveness.org/media/k2/attachments/189.pdf>

Budget support in Ghana has supported reforms in ways that other aid modalities would not have done, but it has neither reduced risks nor maximised benefits. Re-design is needed, with a focus on its effectiveness as a tool for budget financing, rather than for policy leverage.

## **Indonesia**

**Venning, P. (2009).** *Impact of budget support on accountabilities at the local level in Indonesia*. *OECD Journal on Budgeting*, 2009, 1. <https://www1.oecd.org/indonesia/43410364.pdf>

This article examines the mechanism of donor-provided budget support at the local level in Indonesia and its potential impact on accountability structures. It finds that the potential impact of budget support on accountabilities must be interpreted in the particular political and fiscal context of the target area, whether a country or a region of a country thorough analysis of existing governance and accountability structures. In a decentralised country a thorough analysis is therefore necessary before deciding to deliver development assistance directly to the regional level.

**Malawi**

Highton, N., Hedger, E. and Tavakoli, H. (2009). *DFID Malawi 2009/10 Poverty Reduction Budget Support: Options Appraisal Report*. Final Version. London: ODI.

<http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5992.pdf>

This report is based on analysis of the 2009/2010 Malawi budget; the influence which DFID might expect to exert; the potential influence on leakages in the budget through progress under the PFM reform programme; the effects of quitting GBS on domestic borrowings and interest payments; and changes in transaction costs from switching to alternative modalities. Continuing to provide GBS is found to offer significant advantages compared with the alternatives. The expected result is higher overall spending on priority areas of the MGDS.

Related documents:

Tavakoli, H. and Hedger, E. (2010). *Aid effectiveness in Malawi: options appraisals and budget support*. Project Briefing No. 47. London: ODI. [http://www.odi.org.uk/sites/odi.org.uk/files/odi-](http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5800.pdf)

[assets/publications-opinion-files/5800.pdf](http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5800.pdf)

This Project Briefing examines an attempt to develop and apply a framework to enhance measurement of the net benefits of different options for DFID aid delivery in Malawi: an options appraisal. It looks at why DFID has strengthened its economic appraisal and summarises the methodology and findings from Malawi. Finally, it considers the implications for operational practice and gives recommendations for the design of options appraisals in the future.

IDD and Associates (2006). *Partnership General Budget Support: Malawi Brief*. Birmingham: University of Birmingham, International Development Department.

<http://www.oecd.org/dac/evaluation/dcdndep/37420105.pdf>

The Joint Evaluation of General Budget Support 1994–2004 was to assess to what extent and under what circumstances GBS is relevant, efficient and effective for achieving sustainable impacts on poverty reduction and growth. The study found that:

- Partnership General Budget Support was particularly problematic in Malawi. Budget support was suspended when government failed to control public expenditure. In the short term, this increased economic instability.
- There was no improvement in fiscal discipline as a result of the suspension in funding. Nor, despite donors' efforts, was there a shift towards pro-poor expenditures.
- The interaction of donor conditionality and government fiscal indiscipline made funding less predictable.
- Given the problems with PGBS in Malawi, no contribution was found to improving government performance in public service delivery, and no tangible effects on poverty reduction could have been expected.

**Mali**

**Lawson, A. et al. (2011) *Joint Evaluation of Budget Support Operations in Mali 2003 - 2009. Executive Summary.* Joint Evaluation carried out on behalf of the Commission of the European Union, Belgium and Canada as a pilot exercise of the OECD Development Assistance Committee.**  
<http://www.oecd.org/countries/mali/48656665.pdf>

The purpose of this study has been to undertake an evaluation of the 32 budget support (17 GBS and 15 SBS) operations which have been conducted in Mali over 2003 to 2009 and to provide recommendations. The experience with Budget Support in Mali demonstrates above all that budget support – sectoral or general – is effective when its primary objective is to finance and monitor the implementation of a given policy. It is much less effective when its primary objective is to change a given policy or to adapt its contents, through the means of conditionality.

**Mongolia**

**ADB. (2008). *Mongolia: Governance Reform Program (First Phase).* Asian Development Bank (ADB).** <http://www.adb.org/sites/default/files/31597-MON-PPER.pdf>

The Governance Reform Program (GRP) was intended to help improve financial management in the public sector by introducing institutional mechanisms to improve financial planning, transparency, and accountability based on the New Zealand model of reform. The GRP also provided much needed budget support to the Government. The evaluation rated the GRP partly successful. It was assessed as relevant as it responded to an urgent need of the Government, although the design was overly ambitious and complex and did not adequately identify the risks and assumptions underpinning governance reform.

**Mozambique**

**IDD and Associates (2006). *Partnership General Budget Support: Mozambique Brief.* Birmingham: University of Birmingham, International Development Department.**  
<http://www.oecd.org/dac/evaluation/dcdndep/37420133.pdf>

The Joint Evaluation of General Budget Support 1994–2004 was to assess to what extent and under what circumstances GBS is relevant, efficient and effective for achieving sustainable impacts on poverty reduction and growth. The study found that:

- A highly coordinated and coherent structure for government–donor collaboration has been developed as a result. This is inclusive of different aid modalities and provides a basis for government–donor agreement about priorities.

- Partnership General Budget Support (PGBS) has strengthened harmonisation among donors, and their alignment with the national strategy and with government's planning and budgeting calendar.
- PGBS has increased the proportion of public spending subject to the national budget process (PGBS is the only aid that is fully 'on-budget'). This in turn has strengthened reporting lines between core government and line ministries, and reduced direct line ministry–donor relationships. This has increased the quality and the government ownership of the budget process.
- PGBS has reduced the cost of budget finance, and has reinforced pressures to maintain fiscal discipline and macroeconomic stability.
- PGBS has helped to increase the efficiency of public expenditure.

### **Nicaragua**

**IOB. (2010). *Evaluation of General Budget Support to Nicaragua 2005-2008*. IOB Evaluation No. 329. Policy and Operations Evaluation Department (IOB). Netherlands: Ministry of Foreign Affairs. <http://www.oecd.org/derec/netherlands/46782659.pdf>**

In May 2005, nine donors signed the Joint Financing Arrangement (JFA). The Netherlands was the third donor and the largest bilateral donor of budget support, with a 16.4% share in the total. This report is an evaluation of their contribution through General Budget Support (GBS). The paper finds that GBS been implemented in such a way that most of the Paris Declaration principles have been implemented, at least to an important degree. The exception is ownership, but this could be expected, as ownership is to a large degree incompatible with donors attempts to exert influence. GBS has led to some positive intermediate effects in Nicaragua. Compared to project aid, it involved lower transaction costs and led to higher allocative efficiency of government expenditure. It also helped strengthening some government systems and there were some positive effects on domestic accountability. Evidence is inconclusive on whether government policies and institutions, supported by GBS have become more effective in fostering economic growth and in reducing poverty.

**IDD and Associates (2006). *Partnership General Budget Support: Nicaragua Brief*. Birmingham: University of Birmingham, International Development Department. <http://www.oecd.org/dac/evaluation/dcdndep/37420143.pdf>**

The Joint Evaluation of General Budget Support 1994–2004 was to assess to what extent and under what circumstances GBS is relevant, efficient and effective for achieving sustainable impacts on poverty reduction and growth. During the evaluation period (up to the end of 2004), there were only limited Partnership General Budget Support (PGBS) flows. Consequently visible impacts of PGBS on the pattern of public expenditures, on the budgeting system, and, ultimately, on poverty could not be expected. There have, however, been positive effects on harmonisation amongst donors and on the alignment of their aid with government strategies and systems.

**Pakistan**

**ADB. (2012). *Pakistan: Punjab Devolved Social Services Program. Evaluation Report.* Asian Development Bank (ADB). <http://www.adb.org/sites/default/files/PPER-PUNJAB-DSSP.pdf>**

ADB approved a loan in 2004 to strengthen devolved social services for a more equitable, efficient, effective, and sustainable delivery of social services in line with the Punjab Local Government Ordinance of 2001 (PLGO). ADB provided a loan and UK DFID co-financed USD30 million as budget support and USD20 million as a technical assistance grant. The funds were allocated as follows 65% in health, 17% in education, and 18% in water supply and sanitation. The programme is rated as less than successful. While the design and technical content of the program were largely sound, the programme itself was not attuned to the political and institutional dynamics surrounding the federally driven devolution agenda. Following the 2008 national elections, the new national and provincial governments withdrew their commitment to devolution. The programme, as complex and ambitious as it was, lacked elements or emphasis that international experience has shown to be necessary to successfully devolve.

**Rwanda**

**IDD and Associates (2006). *Partnership General Budget Support: Rwanda Brief.* Birmingham: University of Birmingham, International Development Department. <http://www.oecd.org/dac/evaluation/dcdndep/37420153.pdf>**

The Joint Evaluation of General Budget Support 1994–2004 was to assess to what extent and under what circumstances GBS is relevant, efficient and effective for achieving sustainable impacts on poverty reduction and growth. Partnership General Budget Support (PGBS) has improved aid coordination, and harmonisation and alignment amongst donors. PGBS added significantly to the external resources available. It facilitated a steady increase in the share of priority spending in the government budget. The government's defined priorities include, but are not limited to, pro-poor spending. It enabled government to fund activities related to PRSP priorities such as fee-free primary education, reduced prices for critical HIV/AIDS drugs, and agricultural loan guarantees. It provided recurrent funding for rehabilitated and new service facilities, thus raising government spending efficiency. Government perceived large transaction cost savings compared with other modalities (but there has been little analysis of the trade-off between different types of transaction costs).

**Sierra Leone**

**Tavakoli, H. (2012) *Public financial management reforms in fragile states: the case of Sierra Leone.* Overseas Development Institute. <http://www.odi.org.uk/publications/6877-public-financialmanagement-reforms-fragile-states-pfmsierra-leone>**

The substantial budget support programme in Sierra Leone provides a considerable level of international engagement in government activities and has become a key focal point for policy dialogue. The incentives created by donor frameworks, especially those related to budget support operations, have influenced the PFM reform approach.

**Lawson, A. (2007). *DFID Budget Support to Sierra Leone, 2004 - 2007: Achievements & Lessons for the Future*. Report to the UK Department for International Development, August 2007, August 2007, Overseas Development Institute (ODI). <http://www.odi.org.uk/resources/docs/249.pdf>**

This report is based on one week of field work in Sierra Leone, supported by analysis of background documents and related evaluations, and does not constitute a formal evaluation. This report finds that the provision of budget support to post-conflict Sierra Leone has brought genuine benefits including contributing to sustained fast growth; allowing a higher real level of recurrent spending which was channelled into health, education and economic services; helping to secure improvements in service delivery and in sector outcomes; improving public finance management systems; and contributing to maintaining a positive trajectory of change on governance issues. On the other hand, fiduciary and macroeconomic risks remain.

### **Tanzania**

**Furukawa, M., and Takahata, J. (2012). *General Budget Support in Tanzania: Late Disbursement and Service Delivery*. Japan International Cooperation Agency Research Institute. [http://repository.ri.jica.go.jp/dspace/bitstream/10685/81/1/JICA-RI\\_WP\\_No.48\\_2012.pdf](http://repository.ri.jica.go.jp/dspace/bitstream/10685/81/1/JICA-RI_WP_No.48_2012.pdf)**

The actual flow of General Budget Support (GBS) is not well known in developing countries. There have been few empirical studies on the effect of late disbursement from donors to a recipient government and from the central government to local governments. This paper attempts to analyse this flow by focusing on donors' GBS disbursement to Tanzania and on the intergovernmental money flows in Tanzania. This paper shows that such centre-local transfers are significantly correlated with the timing of local government expenditures in general and health expenditures in particular. It also shows that development expenditures are more affected than recurrent expenditures by delays in the transfer. To improve service delivery on the ground, the transfers from donors to the central government and from the central government to local governments need to be timely.

### **Tunisia**

**DRN (2011). *Evaluation of European Commission budget support operations in Tunisia between 1996 and 2008*. European Commission. [http://ec.europa.eu/europeaid/how/evaluation/evaluation\\_reports/reports/2011/1286\\_vol1\\_en.pdf](http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/reports/2011/1286_vol1_en.pdf)**

Budget support provided a framework for dialogue, technical support and financial support which reinforced the implementation of the government's strategies. This enabled major economic and social reforms to be achieved. The evaluation revealed a very strong link between the reforms implemented by the government and the development results achieved by the country, and highlighted the link between budget support and the quality of the reforms, thereby showing a significant link between budget support and development results.

Related documents:

**DRN (2011). *Evaluation des opérations d'aide budgétaire de la Commission Européenne à la Tunisie entre 1996 et 2008. Volume 1 – Rapport Principal.***

<http://www.oecd.org/countries/tunisia/48071332.pdf> (French)

**DRN (2011). *Evaluation des opérations d'aide budgétaire de la Commission Européenne à la Tunisie entre 1996 et 2008. Volume 2.***

<http://www.oecd.org/countries/tunisia/48071513.pdf> (French)

## ***Uganda***

**IDD and Associates (2006). *Partnership General Budget Support: Uganda Brief.* Birmingham: University of Birmingham, International Development Department.**

<http://www.oecd.org/dac/evaluation/dcdndep/37420175.pdf>

The Joint Evaluation of General Budget Support 1994–2004 was to assess to what extent and under what circumstances GBS is relevant, efficient and effective for achieving sustainable impacts on poverty reduction and growth. Partnership General Budget Support (PGBS) supported higher total and pro-poor expenditures. Additional spending was largely channelled towards basic services delivered by local governments and PGBS thus accelerated decentralisation. PGBS led to more efficient expenditure: it focused spending on government priorities, with a better balance between recurrent and capital expenditure, and a higher proportion of funds going to service providers.

**IDD and Associates (2006). *Partnership General Budget Support: Vietnam Brief.* Birmingham: University of Birmingham, International Development Department.**

<http://www.oecd.org/dac/evaluation/dcdndep/37420185.pdf>

The Joint Evaluation of General Budget Support 1994–2004 was to assess to what extent and under what circumstances GBS is relevant, efficient and effective for achieving sustainable impacts on poverty reduction and growth. The study finds that Poverty Reduction Support Credit (PRSC) supported increased pro-poor spending, both by providing finance and by supporting government pro-poor policies. PRSC funding helped the government to implement pro-poor initiatives such as the Health Care Fund for the Poor, without extra burden on the budget. The reliable scheduling and delivery of Partnership General Budget Support has improved the efficiency of public expenditure.

Recent PRSCs include policy actions to improve service delivery in health and education; it is too early to judge their effect, but their potential impact is significant.

### ***Vietnam***

**Bartholomew, A., Leurs, R., & McCarty, A. (2006) *Vietnam: Final Country Report. Joint Evaluation of General Budget Support 1994–2004.* University of Birmingham.**

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/67844/gbs-vietnam.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67844/gbs-vietnam.pdf)

The broad conclusion of the evaluation was that the multi-donor Poverty Reduction Support Credit in Vietnam represented a successful example of government-donor collaboration, of learning from experience and achievement of objectives. Given the government's good record on poverty reduction, providing additional funding through Partnership General Budget Support would also seem to be an efficient and effective way to support poverty reduction.

**Cox, M. (2006) *How have programme-based approaches helped establish effective country leadership over development assistance? Vietnam's Poverty Reduction Support Credit.* 2006 Asian Regional Forum on Aid Effectiveness: Implementation, Monitoring and Evaluation, Manila, October 2006.** [http://www.aideffectiveness.org/media/k2/attachments/VIE\\_PRSC\\_1.pdf](http://www.aideffectiveness.org/media/k2/attachments/VIE_PRSC_1.pdf)

This case study covers the Vietnamese experience with general budget support. It is based primarily on existing literature, including the World Bank's Project Appraisal Document for the Poverty Reduction Support Credit (PRSC) and the Joint Evaluation of Budget Support Vietnam Country Case, supplemented by a number of interviews with Government, donor and civil society stakeholders. The study finds that the primary benefit of the PRSC has been as a platform for dialogue on high-level policy commitments. The open design of the instrument has enabled it to serve as a unified platform for the donor community as a whole.

### ***Zambia***

**Leiderer, S., and Faust, J. (2012) *Evaluation of budget support in Zambia: implementation, direct effects and political economy.* Bonn: German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) (Studies 68).** [http://www.die-gdi.de/CMS-Homepage/openwebcms3\\_e.nsf/%28ynDK\\_contentByKey%29/ANES-8ZBHVU?Open](http://www.die-gdi.de/CMS-Homepage/openwebcms3_e.nsf/%28ynDK_contentByKey%29/ANES-8ZBHVU?Open)

This study evaluates the direct effects (i.e. the direct and induced outputs) of budget support in Zambia and forms part of a joint international evaluation of budget support in Zambia. This evaluation concludes that budget support has helped to realise a number of objectives in Zambia, especially as a financing instrument supporting the national development strategy. At the same time, budget support could have been even more effective, in particular as an instrument to

promote good governance and effective state institutions. Weaknesses on the part of Zambian government as well as a lack of harmonization and coordination on the donor side have weakened the potential of the instrument in this respect.

**De Kemp, A., Faust, J., and Leiderer, S. (2011). *Between high expectations and reality: an evaluation of budget support in Zambia*. Bonn/Den Haag/Stockholm: BMZ/IOB/Sida.**

<http://www.iob-evaluatie.nl/node/19>

In Zambia, budget support has developed into a highly visible and relevant instrument of development cooperation. Budget allocations in most poverty-relevant sectors have increased more than the budget support inflows, and the budget increases helped to improve service delivery, especially in the social sectors. However, allocation of funds remains regressive and shortages persist at all levels. While there is evidence that the poorest groups did benefit from the increased spending, poverty levels remain high and access to many public services is still unsatisfactory. Regarding policy and governance reforms, achievements in reforming PFM and strengthening the office of the Auditor General can be linked to the budget support process, but the instrument was not effective in realizing broader objectives.

**Faust, J., Leiderer, S., & Schmitt, J. (2012). Financing poverty alleviation vs. promoting democracy? Multi-Donor Budget Support in Zambia. *Democratization*, 19(3), 438-464.**

<http://dx.doi.org/10.1080/13510347.2012.674357>

Based on empirical evidence from a recent evaluation of budget support in Zambia, this article argues that attempts at harmonization among donors can be easily hampered by varying interpretations of the goal hierarchy of budget support. In the course of the Multi-Donor Budget Support process in Zambia, some donors have prioritized the financing function of the instrument, while others have emphasized its potential influence on institutional reforms. While some harmonization efforts proved successful at fostering a number of public-sector reforms, the remaining harmonization deficiencies hampered the realization of the instrument's full potential to craft a coherent incentive system for facilitating improvements in democratic accountability.

**Chiwele, D., Fowler, M., Humphrey, E., Hurrell, A., Willis, J. (2010) *Evaluation of Budget Support in Zambia: Agriculture Case Study*. Oxford Policy Management.**

[http://www.minbuza.nl/binaries/content/assets/minbuza/nl/import/nl/producten\\_en\\_diensten/evaluatie/afgeronde\\_onderzoeken/2011/between-high-expectations-and-reality-an-evaluation-of-budget-support-in-zambia/evaluation-of-budget-support-in-zambia-agriculture-case-study.pdf](http://www.minbuza.nl/binaries/content/assets/minbuza/nl/import/nl/producten_en_diensten/evaluatie/afgeronde_onderzoeken/2011/between-high-expectations-and-reality-an-evaluation-of-budget-support-in-zambia/evaluation-of-budget-support-in-zambia-agriculture-case-study.pdf)

There are several channels through which budget support may have given Zambia the means to implement national and sector policies, and some increases have been noted in resource flows, the efficiency of policy dialogues, and the provision of PFM and other technical assistance, but clear counterfactuals could not be established and therefore there is no clear evidence to conclude that

the benefits obtained through budget support were greater than those that might have been obtained in its absence.

Leiderer, S., Geigenmüller, M., Hornig, A., Kästle, K., Smith, C., & Tröger, F. (2012). *Efficiency of Service Provision at Local Government Level in Zambia in Health, Education and Roads: Implications for Decentralization and the Effectiveness of Budget Support*. DIE Studies, 71. [http://www.die-gdi.de/CMS-Homepage/openwebcms3.nsf/\(ynDK\\_contentByKey\)/ANES-942D6H/\\$FILE/Studies%2071.pdf](http://www.die-gdi.de/CMS-Homepage/openwebcms3.nsf/(ynDK_contentByKey)/ANES-942D6H/$FILE/Studies%2071.pdf)

This project aims at assessing and identifying the determinants of the operational efficiency of service delivery at local government level in Zambia. It focuses on the sectors health, education, and rural road maintenance. The paper finds that:

- The determinants identified as having an adverse effect on the operational efficiency of local PFM in Zambia are either systemic or external; no relevant “non-systemic” determinants could be identified.
- There is only limited potential for short-term improvements of PFM efficiency at local government level in Zambia, given that the constraints exist only at the constraint level.

de Kemp, A., and Ndakala, C. (2011). *Unfinished Business: Making a Difference in Basic Education: An evaluation of the Impact of Education Policies in Zambia and the Role of Budget Support*, The Hague, IOB, Report nr. 352. <http://www.minbuza.nl/bijlagen/producten-en-diensten/evaluatie/afgeronde-onderzoeken/2011/between-high-expectations-and-reality-an-evaluation-of-budget-support-in-zambia/iob---unfinished-business-making-a-difference-in-basic-education.-an-evaluation-of-the-impact-of-education-policies-in-zambia-and-the-role-of-budget-support.html>

This report is based on qualitative research as well as quantitative impact analysis. The report analyses the impact of the move to general budget support on the education sector, and the basic education subsector in particular. It finds that between 2005 and 2009 the move to GBS had a positive impact on the development of the education budget and the funding of the education sector, and the budget support and sector dialogue were effective in contributing to the development of sector policies. Strong ownership by the government and the convergence of sector objectives and strategies were important conditions for this result.

Saasa, O. (2010) *Budget Support: The Case of the Health Sector in Zambia*. Premier Consult Limited and German Development Institute (DIE). [http://www.minbuza.nl/binaries/content/assets/minbuza/nl/import/nl/producten\\_en\\_diensten/evaluatie/afgeronde\\_onderzoeken/2011/between-high-expectations-and-reality-an-evaluation-of-budget-support-in-zambia/the-case-of-the-health-sector-in-zambia](http://www.minbuza.nl/binaries/content/assets/minbuza/nl/import/nl/producten_en_diensten/evaluatie/afgeronde_onderzoeken/2011/between-high-expectations-and-reality-an-evaluation-of-budget-support-in-zambia/the-case-of-the-health-sector-in-zambia)

GBS and SBS produce lower transaction costs, more efficient allocation of funds, improved predictability of aid flows, positive transformation of government systems, and enhanced domestic accountability compared with project funding. But GBS has been received with mixed feelings in the health sector of Zambia. Resources available are limited, delays in the roll-out of the programme caused frustration, and Ministry of Health staff feel that channelling budget support through the Ministry of Finance and National Planning has resulted in less money reaching the health service. Vertical funding arrangements are a threat to GBS and SBS, and may not be aligned to national-level responses and to the Paris Declaration principles of harmonisation and coherence. The Ministry of Health's M&E capacity is weak, but SBS depends on effective monitoring and evaluation and there is a growing drive globally to move towards results-based monitoring that focuses on agreed targets and results. Joint review exercises would increasingly become less appealing under sector-wide approaches and GBS.

### 3.4 Sector and thematic focus

There are a few studies with a focus on sectors and themes. This literature review identified studies with a focus on environment and governance.

#### ***Environment***

**Vatn, A., & Vedeld, P. O. (2012). National governance structures for REDD+. *Global Environmental Change*. <http://dx.doi.org/10.1016/j.gloenvcha.2012.11.005>**

This paper analyses a set of generic options for national REDD+ governance structures:

- a market/project based architecture;
- a system with national REDD+ funds outside existing national administrations;
- a national REDD+ fund organized under the present administration; and
- conditional budget support.

The analysis is based on experiences from different, but similar governance structures – e.g., the Clean Development Mechanism, payments for ecosystem services, environmental trust funds and various forms of budget support. While a solution with a market/project based structure has been favoured by many, this study concludes that this is the most problematic alternative. Concerning the other three, the national/local conditions will be of importance for their functioning. If REDD+ policies involve a large part of a county's forested area, establishing a good link to the general forest and other sector policies will be necessary.

**Bird, N. Cabral, L., Lawson, A. and Brown, D. (2006). *Addressing environmental objectives in the context of budget support*. London: ODI. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/84.pdf>**

This report looks at how environmental objectives are pursued by donors in a context of changing aid architecture. It examines how General Budget Support (GBS), and other aid instruments, can be used to promote action on environmental programmes that contribute to poverty reduction, and produced a number of findings and recommendations. Aid instruments can complement each other. Use, wherever possible, domestic systems and procedures for delivering and managing financial resources to the public sector. Avoid policy conditionality which has proved to be ineffective in enforcing policy reform – concentrate instead on the process of policy change (understand the context and promote the conditions for the most adequate solutions to be adopted). Engage in policy dialogue with all levels of government and non-governmental players to strengthen the mechanisms of democratic decision-making. Recognise different entry points; within government, domestic and international actors.

Related documents:

**Bird, N. and Cabral, L. (2007). *Changing aid delivery and the environment*. Briefing Paper. ODI Briefings 17. London: ODI. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/86.pdf>**

This paper examines how environmental objectives are pursued by donors in a context where aid delivery mechanisms are changing, asking how donor support can best be delivered to meet environmental objectives. The key points are:

- GBS heightens dependence on domestic commitment to achieve better environmental outcomes.
- Other aid instruments, such as targeted technical assistance, can complement GBS.
- New analytical tools should be promoted if GBS is to provide additional opportunities to assist national environmental programmes.

### ***Governance***

**de Renzio, P., Andrews, M. and Mills, Z. (2010). *Evaluation of Donor Support to Public Financial Management (PFM) Reform in Developing Countries: Analytical study of quantitative cross-country evidence*. Final Report. University of Oxford, ODI and Harvard University. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/6373.pdf>**

This study is part of a broader evaluation of donor support to Public Financial Management (PFM) reforms in developing countries. The bulk of the analysis draws on data from PEFA assessments in 100 countries, data on donor support to PFM reforms directly collected from some of the donor agencies most active in this area, and a large dataset on other economic/social, political/institutional and aid-related variables that were identified as relevant from previous research. Key findings were:

- Economic factors are most important in explaining differences in the quality of PFM systems.
- Countries with higher levels of per capita income, with larger populations and with a better recent economic growth record are characterised by better quality PFM systems.
- Donor PFM support is also positively and significantly associated with the quality of PFM systems.
- These results remained consistent through a number of robustness checks and model changes.
- Different aspects of donor support differ in their relationship with more specific PFM processes.
- The level of donor PFM support is also more strongly associated with scores for *de jure* (i.e. written rather than actual) processes.

## 4 Sector Budget Support (SBS)

### 4.1 Evaluation of SBS as an aid modality

Sector Budget Support (SBS) is a sub-category of budget support. This section covers literature which evaluates SBS as an aid modality in relation to aid effectiveness.

**Handley, G. (2009) *Sector Budget Support in Practice: Literature Review*. Overseas Development Institute and Mokoro. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5575.pdf>**

This literature review summarises the available published literature on the operation of Sector Budget Support (SBS) in practice, with specific reference to the proposed study questions so as to directly inform the broader study. The review finds that the development by donors of more programmatic approaches to aid delivery is intimately linked to the aid effectiveness agenda and the Paris Declaration. Data suggests that the use of programmatic approaches varies markedly cross the main donor and creditor agencies.

**Williamson, T., Kizilbash, Z., Bjornstad, L., Twijukye, G., Mahwago, Y., & Kabelwa, G. (2008). *Building Blocks or Stumbling Blocks? The effectiveness of new approaches to aid delivery at the sector level*. Report for the Advisory Board of Irish Aid. London, ODI. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/2269.pdf>**

This working paper analyses the effectiveness of different aid modalities and the coordination mechanisms associated with programme-based approaches at the sector level. It draws from three case studies, covering the education sector in Tanzania, the water and sanitation sector in Uganda and the health sector in Mozambique, and also from the broader literature. The paper finds that the indecisive shift in aid delivery towards the new aid paradigm has meant that the effects of such changes are mixed.

### 4.2 Guidance literature for SBS

This section covers literature that primarily provide insights into helping design GBS programmes.

**Williamson, T., and Dom, C. (2010). *Sector Budget Support in Practice: Synthesis Report*. London: ODI and Oxford: Mokoro. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5806.pdf>**

This report focuses on a study on Sector Budget Support (SBS) in Practice for the Strategic Partnership with Africa. Through reviewing the existing literature and specific cases of the provision of SBS, this study identifies the variety of different forms in which SBS is provided, and analyses the effects of SBS on sectoral systems and service delivery. The report finds that SBS is an important and potentially effective modality for supporting improved service delivery in developing countries. The accompanying good practice note is a starting point for the establishment of better practice in the design and implementation of SBS programmes.

Related documents:

**Williamson, T., and Dom, C. (2010). *Sector Budget Support in Practice: Good Practice Note*. London: ODI and Oxford: Mokoro. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5802.pdf>**

The good practice note is a starting point for the establishment of better practice in the design and implementation of Sector Budget Support programmes.

**Williamson, T., and Dom, C. (2010). *Sector Budget Support in Practice: Study Methodology*. London: ODI and Oxford: Mokoro. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5814.pdf>**

This document sets out in detail the methodology used by a study on Sector Budget Support in Practice for the Strategic Partnership with Africa. The purpose of the Study is to draw on the experience of sector budget support to guide future improvements in policy and practice by partner countries and donors.

**Williamson, T., and Dom, C. (2010). *Making sector budget support work for service delivery: an overview*. ODI Project Briefings 36. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5626.pdf>**

The first of three project briefings to fill a knowledge gap on Sector Based Support (SBS), this overview finds that SBS has helped improve access to basic services but not their quality.

**Williamson, T., and Dom, C. (2010). *Making sector budget support work for service delivery: good practice recommendations*. ODI Project Briefings 37. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5629.pdf>**

The second of three Project Briefings on Sector Based Support (SBS) focused on good practice recommendations.

**Williamson, T., Dom, C. and Booth, D. (2010). *Making sector budget support work for service delivery: wider policy implications*. ODI Project Briefings 38.**

<http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5817.pdf>

The third in series of Project Briefings on Sector Based Support (SBS) that examines policy implications, arguing that incentives are central to the SBS success or failure.

**Bartholomew, A. (2009). *Sector Budget Support in Practice: Donor Headquarter Accountability Requirements Desk Study*. London: ODI and Oxford:**

**Mokoro.**<http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5809.pdf>

This report examines donor country fiduciary and political accountability requirements, with a view to better targeting overall policy and operational recommendations between partner governments, donor country offices and donor headquarters. This study finds that:

- There is variation in the extent to which donor agencies in-country are influenced by their headquarters (HQs) on the choice, design and implementation of SBS.
- Those donors whose HQs state a specific preference for budget support modalities have tended to use it more in-country, whereas more surprisingly, those donors who do not have specific mandates from HQ to use budget support have managed to find ways to participate in SBS.
- The donors who undertake the most budget support have guidelines that outline HQ policy on budget support, pre-conditions and provide general principles that need to be adhered to in design and implementation. Donors who do not have SBS guidelines tend to be the ones that demanded the most derogations at country level

### 4.3 Country sector case studies

This section covers case studies focused on SBS programmes in partner countries.

#### ***Mali (Education)***

**Thunnissen, K. (2009). *Sector Budget Support in Practice - Mali Education Case Study*. London: ODI and Oxford: Mokoro.** <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5634.pdf>

This review of SBS in the education sector in Mali investigates the nature, influence and effectiveness of sector budget support in Mali in practice. This review finds that SBS has facilitated the move towards the setting up of the deconcentrated and decentralised education system. However, in practice, the SBS as designed to support the Education Sector Investment Programme is very much a product of a transition, where both the donors and the Government are on a learning curve, away from project support.

### ***Mozambique (Health and Agriculture)***

**Visser-Valfrey, M. and Umarji, M. (2010). *Sector Budget Support in Practice: Health sector in Mozambique*. London: ODI and Oxford: Mokoro.**

<http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/6405.pdf>

This study draws together SBS experience and aims to guide future improvements in policy and practice. The Mozambique case study finds that a large number of donors have joined in the common funding arrangements and committed to supporting the sector wide approaches and to providing SBS. There has also been significant improvement in the proportion of discretionary funding provided, dialogue has been streamlined, donor coordination has improved, and there is evidence that this has impacted on various aspects of sector policy, management and monitoring and evaluation.

**Cabral, L. (2009). *Sector Budget Support in Practice - Agriculture in Mozambique*. London: ODI and Oxford: Mokoro. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5577.pdf>**

This report investigates the nature, influence and effectiveness of sector budget support in Mozambique practice. The report finds that despite the high degree of scepticism and uncertainty about the future of the National Programme for Agricultural Development funding mechanism, budgetary support provided to Ministry of Agriculture and Rural Development and the Ministry of Agriculture over the past 10 years has had an impact in sector policies and processes. Through the provision of discretionary funding, dialogue, technical assistance and strengthened donor coordination, the funding mechanism has produced important effects on the relationship of external assistance and sector processes which have led to changes in sector policy, spending and management systems.

### ***Rwanda (Education)***

**Chiche, M. (2009). *Sector Budget Support in Practice - Education in Rwanda*. London: ODI and Oxford: Mokoro. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5580.pdf>**

This report investigates the nature, influence and effectiveness of sector budget support in practice. The paper finds that overall, the experience of the provision of SBS in the Rwandan education sector is an extremely positive one, in which, the objectives of both the government and donors are being met.

### ***Tanzania (Health and Governance)***

**Smith, G. (2009). *Sector Budget Support in Practice: Health sector in Tanzania*. London: ODI and Oxford: Mokoro. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/6403.pdf>**

This case study examines Sector Budget Support in the Health Sector in Tanzania between 1999 and 2008. The overall objectives of SBS have been to support both implementation of the Health Sector's strategic plans and to expedite reform of the sector. SBS provided to the Health Sector during this period has made some important contributions to the improvement of Health Sector outputs in Tanzania. Though SBS has been unable to influence some of the key impediments to service delivery such as issues relating to human resources, SBS has been successful in its role in transferring a fixed proportion of funds to the local level.

**Tidemand, P. (2009). *Sector Budget Support in Practice - Local Government in Tanzania*. London: ODI and Oxford: Mokoro. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5583.pdf>**

This report investigates the nature, influence and effectiveness of sector budget support in practice. The overall conclusion is that sector budget support, through the Local Government Capital Development Grant has been very successful in meeting its intended objectives. Neither continued support through area-based projects nor General Budget Support on its own could have achieved the same results. The authors conclude SBS was the most appropriate instrument in this particular area and time.

### ***Uganda (Governance)***

**Steffensen, J. (2010). *Sector Budget Support in Practice: Local Government Sector in Uganda*. London: ODI and Oxford: Mokoro. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/6407.pdf>**

This desk survey examined the support from the first and second Local Government Development Projects (LGDP), which provided support to the decentralization reforms in Uganda from 2000-2007. The overall conclusion is that, to a large extent, the LGDP met the objectives of the partner country and the development partners supporting it. LGDP was particularly successful in enhancing the local

government's (LG) capacity and performance within core areas of administration (particularly PFM) and governance. It also resulted in the establishment of a sustainable and performance-based system of LG investment funding

### ***Zambia (Health)***

**Bartholomew, A. (2009). *Sector Budget Support in Practice - Health in Zambia*. London: ODI and Oxford: Mokoro. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5587.pdf>**

This report investigates the nature, influence and effectiveness of sector budget support in practice. The overall conclusion is that SBS in the health sector in Zambia has not had a significant effect in meeting the objectives of partner countries and CPs. This is mainly because SBS has not been extensively implemented in Zambia. Consequently the experience has been very limited, with only small amounts of funding channelled through SBS over a relatively short period of time. Issues related to the design of SBS, delays in disbursements and lack of budget transparency, have caused significant problems.