

Evaluation of General Budget Support: Synthesis Report

May 2006

**A Joint Evaluation
of General Budget
Support 1994-2004**



May 2006

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JOINT EVALUATION OF GENERAL BUDGET SUPPORT 1994–2004
Burkina Faso, Malawi, Mozambique, Nicaragua, Rwanda, Uganda, Vietnam



**Evaluation of General Budget Support:
Synthesis Report**



Executive Summary

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May 2006



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EXECUTIVE SUMMARY

BACKGROUND AND PURPOSE

S1. General budget support (GBS) has become more prominent since the late 1990s, as part of a wider quest to improve the effectiveness of aid. Funds provided through general budget support are disbursed through the recipient government's own financial management system and are not earmarked for specific uses. However, they are accompanied by various understandings and agreements about the government's development strategy. Instead of focusing narrowly on the use of the aid funds, government and donors together monitor implementation of the agreed strategy as a whole.

S2. This study was commissioned jointly by a large group of bilateral and multilateral donors, together with partner countries, in order to:

.. evaluate to what extent, and under what circumstances (in what country contexts), GBS is relevant, efficient and effective for achieving sustainable impacts on poverty reduction and growth. The evaluation should be forward looking and focused on providing lessons learned while also addressing joint donor accountability at the country level. (Terms of Reference, see IDD & Associates 2005)

S3. This synthesis report links findings from seven country case studies, and also draws wider conclusions. The countries studied were: Burkina Faso, Malawi, Mozambique, Nicaragua, Rwanda, Uganda and Vietnam. Full reports on each country are available separately.¹

S4. The particular focus of this evaluation is on *partnership* general budget support or PGBS. ('New general budget support' and '*poverty reduction* general budget support' are equivalent terms.) PGBS is conceived as a package. Thus, it does not refer simply to financial inputs, but also to associated conditionality, dialogue, technical assistance, harmonisation and alignment. PGBS was an innovation introduced in the latter half of the evaluation period (1994–2004); earlier programme aid experiences are used for comparison.

S5. PGBS was a response to dissatisfaction with the effectiveness of earlier aid instruments. Its origins are closely linked to the HIPC (Heavily Indebted Poor Countries) initiative and to the introduction of Poverty Reduction Strategy Papers (PRSPs) as a focus for collaboration between donors and partner countries.

S6. There is a wide range of expectations from general budget support. These include: improved coordination and harmonisation among donors; alignment with partner country systems and policies; lower transaction costs; higher allocative efficiency of public expenditure; greater predictability of funding; increased effectiveness of the state and public administration as general budget support is aligned with and uses government allocation and financial management systems, and improved domestic accountability through increased focus on the government's own accountability channels.

¹ A separate evaluation of general budget support in Tanzania, using a similar methodology, also provided useful evidence.

METHODOLOGY

S7. The evaluation methodology was based on the standard OECD Development Assistance Committee (DAC) evaluation criteria (relevance, efficiency, effectiveness, impact, sustainability), and a logical framework approach to spelling out successive levels of inputs, immediate effects, outputs, outcomes and impacts. This allowed causal assumptions to be spelled out and tested. It drew on a pioneering evaluation framework that had been developed and tested for DFID and the DAC evaluation network. This was further refined in several ways: by addressing entry conditions as level zero, by considering different dimensions poverty impacts, by considering policy as well as institutional and flow-of-funds effects, and of paying special attention to feedback loops within the system. The resulting "enhanced evaluation framework" (EEF) was complemented by a causality map, which illustrated possible causal links in more detail.²

S8. The study used the same evaluation instruments and report structure across the study countries so as to maximise comparability. A standard rating system helped ensure that evaluators' assessments were broadly consistent across countries, and similar indicators and approaches to assessment were used whenever practical. PGBS was identified through country-level inventories, which also captured the flows and characteristics of related programme aid.

PGBS IN THE STUDY COUNTRIES

S9. Flows of PGBS were distributed among the study countries as follows:

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total	%
Total Partnership GBS disbursements (USDm)													
Burkina Faso								82	109	144	165	500	13%
Malawi							58	48	0	14	28	148	4%
Mozambique							30	88	101	154	239	611	16%
Nicaragua									6	8	63	77	2%
Rwanda							14	37	33	34	130	248	6%
Uganda					66	39	176	311	369	405	409	1,775	45%
Vietnam								150	123	140	157	570	15%
Total	-	-	-	-	66	39	277	717	741	899	1,191	3,930	100%
percent of sample	0%	0%	0%	0%	2%	1%	7%	18%	19%	23%	30%	100%	

Source: Summary of PGBS Financial Flows, from Annex B of the main report.

S10. A total of almost USD 4 billion was involved, but most of it late in the evaluation period. Almost half went to Uganda. Four of the other countries (Mozambique, Burkina Faso, Rwanda and Vietnam) had substantial but more recent experience to be evaluated. However, the focus in Malawi was on a false start when PGBS was abruptly suspended. The Nicaragua focus was on preparations for a joint donor programme of PGBS which did not begin until 2005.

S11. The scale of donor collaboration varied. Large donor groups had existed for some time in Uganda and Mozambique; those in Rwanda and Malawi were much smaller. The World Bank and the European Commission (EC) are involved everywhere. The International Monetary Fund (IMF) also plays an important role, with its Poverty Reduction and Growth Facility providing the parallel macroeconomic support. In all cases, the HIPC initiative was a formative influence, since PGBS focuses on the poverty reduction strategies it spawned.

² The experience of using the EEF will be reviewed in a *Note on Approach and Methods* to be prepared separately.

S12. A key aspect is whether PGBS has added to total aid or has replaced other forms of aid. This is important when judging appropriate counterfactuals (what would have happened otherwise?) and in identifying its effects at various points in the enhanced evaluation framework. In Uganda, PGBS was associated with a large increase in total aid. In Malawi, PGBS was essentially the replacement of previous balance of payments support which had also provided non-earmarked budget resources. Other countries fell between these extremes.

S13. Judging by the financial amounts, the extent of donor participation and the duration of PGBS experience, there are very different degrees of PGBS penetration among the study countries. There is, therefore, rich variety in the sample, with opportunities to draw lessons from both contrasts and similarities. At the same time, the short history of PGBS in all cases limits the scope for robust findings at outcome and impact level. This is especially so for Malawi and Nicaragua, where PGBS is particularly recent and/or unconsummated.

EVALUATION FINDINGS

Overview

S14. In all but two cases, the overall assessments by the country studies were clearly positive. Malawi's first effort at PGBS got off to a false start, based on over-optimistic expectations concerning macroeconomic discipline. However, there now are signs of regrouping based on the lessons learned. In Nicaragua, significant funds have only recently begun to flow, making it too soon to provide an ex-post assessment. Detailed synthesis findings are linked to the series of main evaluation questions (EQs).

EQ1: The Relevance of PGBS

S15. This evaluation question focuses on the design of PGBS in each country and how well it responds to the specific "entry conditions" found in that country. In all cases, the design was found to be complex and evolving. Donors' decisions to commence PGBS were based on country-specific conditions and not on a pre-conceived set of benchmarks. This applies both to governance standards across countries and to public finance management capacities. There were also variations in how systematically donors considered whether the study countries were "ready" for PGBS, and whether the risks were made explicit. There were many technical analyses of public finance management systems. Assessments of political risks, and their reflection in the design, were less explicit, sometimes leading to later adaptations. For several of the countries, the study found that the political risks of PGBS had been under-estimated, with over-optimistic assumptions about the ability of international partners to influence matters that are deeply rooted in the partner countries' political systems.

S16. A step-change in the nature of dialogue and conditionality is supposed to be a defining characteristic of PGBS. The philosophy behind Poverty Reduction Strategy Papers (PRSPs) is that support for government-owned poverty reduction strategies should replace attempts to impose external solutions through conditionality. In several countries, the PGBS relationship does differ significantly from that which subsisted under structural adjustment programmes. However, the change has tended to be gradual, to be present as an intention before it is realised in practice, and to be more significant in the eyes of the donors than in those of partner governments.

S17. In all cases, PGBS was a relevant response to the context.³ Moreover, it has evolved and become more relevant over time. Technical assistance/capacity building has been the least well integrated input. The political context has tended to be less well analysed and adapted to than other elements of the context. PGBS is inherently complex to manage, not least because of the variety of international partners, their different interests, and their sometimes unrealistic expectations. PGBS has supported significant changes (towards "partnership") in the relations between governments and international partners, but these should not be exaggerated. PGBS is operating in a wide variety of country contexts, with governments that differ greatly in various dimensions of capacity and governance.

EQ2: Effects on Harmonisation and Alignment (H&A)

S18. This evaluation question considers whether one of the immediate effects of PGBS is to improve harmonisation between donors and alignment between donors and partner governments.

- In all the study countries, PGBS has contributed to greater policy alignment of aid. However, what this actually means depends strongly on the quality and ownership of the government strategies that international partners align with.
- Alignment with government budget cycles is generally improving, with more efforts to align the cycle of PGBS discussions with government budget calendars and to give reliable advance notice of disbursements.
- PGBS is, by definition, disbursed through, and is therefore aligned with, government financial management and procurement systems. With few exceptions, government leadership in aid coordination is rather limited, and full collaboration in the analytical work on which international partners rely is rare. Despite this, PGBS has helped strengthen government–donor collaboration. Management of technical assistance remains almost invariably through projects.
- In every case, the cooperation that PGBS requires amongst international partners has had a positive effect on donor harmonisation. The benefits typically extend to non-PGBS donors and modalities.
- At the same time, PGBS itself is not fully harmonised. Different disbursement arrangements, approaches to conditionality and 'tranching' and so forth are often haphazard, and there is still significant scope for further harmonisation.

S19. At this level, definite effects are apparent in all cases (stronger in Uganda, Mozambique, Rwanda and Burkina Faso, moderate in Vietnam, weaker in Malawi and Nicaragua). In addition to the harmonisation and alignment that is built into donor cooperation in PGBS and its intrinsic use of government systems, there are usually indirect effects influencing the harmonisation and alignment of other modalities. A common finding is that PGBS – and its associated dialogue and review structures – can complement and enhance existing sector mechanisms, often providing forums and instruments to address cross-sector issues.

EQ3: Effects on Public Expenditure

S20. This evaluation question considers the impact of PGBS on public expenditure. It focuses on issues of the prioritisation of expenditure (especially pro-poor spending), the predictability of aid flows, the amount of discretion partner governments have over spending, and the transaction costs of aid.

³ The OECD DAC criterion of relevance relates to the match between design and objectives (not the success of the design, which is considered subsequently).

S21. The evaluation's findings on the public expenditure effects of PGBS apply mainly to the five countries where significant PGBS flows have been established.

- (a) PGBS has supported increases in PRSP priority expenditures ("pro-poor expenditures"). However, the definition of what this means is often rather broad and superficial. Improvements in the poverty analysis of public expenditures are required everywhere.
- (b) Short-term predictability of PGBS has been a frequent problem, but mitigating measures are having an effect. There has been less progress in ensuring the medium-term predictability of PGBS (and other aid) in line with the Rome Declaration.
- (c) PGBS has increased the scope of partner government discretion – in some cases dramatically – both by increasing the total of on-budget aid and by reducing the scope of earmarking within the budget. Discretion continues to be limited by the scale of various forms of genuinely earmarked aid.
- (d) Where PGBS has increased discretionary funding, there have been clear gains in allocative and operational efficiency. Non-PGBS modalities have also benefited from some of these efficiency gains.
- (e) Although the high-level negotiation and monitoring costs of PGBS are often perceived as onerous, there are large transaction cost savings for partner countries during the implementation of PGBS-financed activities. However, the extent of transaction cost savings has been limited by the scale on which other modalities have continued in parallel.

EQ4: Effects on Planning and Budgetary Systems

S22. This question focuses on institutional changes surrounding the key resource management systems. The underlying logic of PGBS is that using government systems helps to improve them. This means that both flow-of-funds effects and the policy and institutional effects created by dialogue, conditionality and technical assistance are relevant here.

S23. PGBS has been an effective instrument in strengthening public finance management, including planning and budgeting:

- (a) The study finds that in all countries where PGBS has an established track record (Malawi and Nicaragua are the exceptions) bringing funds on-budget and supporting their allocation and disbursement through regular Ministry of Finance (or Planning/Finance) channels has strengthened the budget process significantly. An important part of this effect is that sector ministries engage directly in the national budget process, and have less opportunity to circumvent it because of direct relationships with donors. Often, however, the continuation of parallel off-budget aid modalities undermines progress.
- (b) PGBS has helped to improve comprehensiveness and transparency of partner government public finance management, thus strengthening the basis for accountability.
- (c) PGBS donors (indeed all donors) need to be careful that their accountability demands do not overshadow those of national institutions. However, it is possible for national accountability and accountability to donors to be mutually reinforcing.
- (d) PGBS has helped to focus the joint attention of donors, especially those directly involved in PGBS, on the public finance management capacity requirements of governments and national systems. But there is scope for more systematic collaboration to support coherent national public finance management capacity building strategies.

- (e) PGBS has fostered progress in a variety of contexts, in terms of the initial configuration and capacity of public finance management and accountability systems. However, technical solutions are neither effective nor durable without political commitment; and fiscal discipline is a prerequisite for meaningful progress towards results-oriented resource management.

EQ5: Effects on Policies and Policy Processes

S24. This evaluation question considers the impact of PGBS on broader policy processes. There is inevitably a tension between an international partner strategy of holding back to allow space for domestic policy-making and the urge to promote particular solutions and demonstrate short-term progress. PGBS can affect policy through direct funding incentives, but can also do so through institutional effects and the use of technical assistance. Previous experience suggests that this is one of the most challenging areas for PGBS.

S25. Findings include:

- (a) Donors are actors within policy systems, not just external influences upon them (this is intrinsic to the concept of partnership). Acting judiciously, they can help refine and accelerate reforms for which there are already domestic proponents, but the local political and institutional context is crucial.
- (b) The influence of PGBS on policy processes and policies is intimately connected with the PRSP, and interacts with other aid. Ratings for the study countries strongly suggest that PGBS has been more efficient where it has had greater penetration (by virtue of its duration, relative importance – in terms of money and international partners involved – and the sophistication of dialogue arrangements it supports and uses).
- (c) PGBS can have significant effects through financial empowerment, strengthening incentives within government, improving coherence and coordination among international partners, and complementary technical assistance inputs. It can support policy development across a range of sectors.
- (d) So far, decentralisation has played a minor role in policy dialogue and processes, but PGBS may potentially be a vehicle for involvement of this cross-cutting issue.
- (e) Most of the study countries have far to go in strengthening the systemic links between public expenditure and policies. PGBS can be a strong support to the development of medium-term budgeting frameworks, but these are mostly in their infancy.
- (f) The effects identified in this report are definite (and efficient), but modest (at least in comparison to some expectations). PGBS does not transform underlying political realities (it is unrealistic to expect any form of aid to do so).

EQ6: Effects on Macroeconomic Performance

S26. This evaluation question considers the impact of PGBS on key macroeconomic issues. These are fiscal discipline, macroeconomic stability, the cost of budget finance, and the impact on domestic revenue effort and the private sector. The main effects here are in response to the flow of funds, but policy dialogue, conditionality and related technical assistance can also play a part.

S27. Given that this is not an econometric study of the impact of aid as a whole, conclusions are limited to judgements on specific effects attributable to PGBS in the study countries during the relatively short period in which it has operated. In general (for the five countries where PGBS has become established):

- (a) PGBS has reinforced pre-existing macroeconomic stability. Flow-of-funds effects are complemented by a degree of reinforcement of the PRGF programmes.
- (b) It has widened international partner involvement in macroeconomic debate.
- (c) It has supported fiscal discipline, by providing funds that are subject to the budget process.
- (d) Effects on both macroeconomic stability and discipline are potentially undermined by unpredictability. The risk may be exacerbated if a growing proportion of aid funds becomes hostage to the same macroeconomic conditionality.
- (e) Apart from limited cases where short-term interest rates were driven up by domestic borrowing to cover shortfalls or delays in PGBS receipts, no obvious "crowding out" effects were found.
- (f) Similarly, and in a context where revenue-strengthening measures are pursued in parallel with PGBS, the study found no obvious diminution of overall tax effort that could be attributed to PGBS.

S28. In Malawi, however, the short-term effect of PGBS was to exacerbate the macroeconomic and fiscal instability that caused PGBS to be suspended.

EQ7: Effects on Service Delivery

S29. This evaluation question considers effects at outcome level in terms of key aspects of public service delivery. These can be influenced by additional funds, but also by changing policy priorities and improved institutional arrangements.

S30. The most obvious effects of PGBS on service delivery have been through increased expenditure and expanded basic services (especially in education and health). This responded to strong demand for such services. Quantitative improvements (access for more poor people) are easier to achieve than qualitative improvements, and the expansion of basic services has often been accompanied by a deterioration in quality. Other PGBS effects (through policies and, especially, through institutional changes) are likely to take longer in any case. Where such change has begun (e.g. via improved allocative and operational efficiency of public finance management), it is not yet embedded. However, such effects, allied to PGBS dialogue and performance targets, have considerable potential to address issues of quality and access.

EQ8: Effects on Poverty Reduction

S31. This evaluation question considers effects at impact level, taking into account both the income and non-income aspects of poverty and all three streams of influence (funds, policies, institutions).

S32. Several country teams stressed the fallibility and limitations of available poverty statistics. They cautioned against attempts to seek too mechanical a relationship between PGBS inputs and poverty outcomes, especially in view of the likely lead times for PGBS effects and the potential for exogenous factors to swamp the predicted effects of PGBS.

S33. Study teams could not confidently track distinct (separately identifiable) PGBS effects to the poverty impact level in most countries. This applies more particularly to income poverty and empowerment dimensions. There are some clear links from PGBS to improved basic services, through funding and through a collective commitment of donors and government to service delivery targets.

S34. This agnostic finding largely reflects the difficulties of the data, time-scale and methodology that has been described. It does not mean that PGBS has no effect on poverty, nor that it has less effect than other modalities. Moreover, PGBS as a modality is unique in the way it directly supports national poverty reduction strategies. The strategies that PGBS supports are being refined, partly in response to country experiences of growth and poverty reduction. Therefore the relationship between PGBS and the government impact on poverty is not static: the next evaluation question considers the ability of PGBS to learn from experience.

EQ9: Sustainability of PGBS

S35. This evaluation question addresses the sustainability of PGBS, focusing on some of the key feedback processes (including monitoring) through which PGBS may be revised and adapted, responding to lessons from experience and to changing contexts.

S36. PGBS needs to be durable, but also adaptable, if it is to perform effectively over the long periods that its intentions require. The enhanced evaluation framework highlights the importance of feedback loops between all levels of the framework, and to all stakeholders. Different stakeholders require different types of feedback for different purposes. The sustainability of PGBS depends not merely on whether PGBS is effective. It also depends on whether, where it is effective, this continues to be recognised by the relevant decision makers. Or, where it is not (adequately) effective, whether there are working feedback mechanisms to promote learning and adaptation. Moreover, PGBS is not self-contained: it is conceived as a support to national poverty reduction strategies. Hence its own monitoring and evaluation should be seen in the wider context of monitoring and evaluation systems for the poverty reduction strategy and for public policy as a whole.

S37. The analysis of PGBS in practice demonstrates that it has, in all cases, been evolutionary in design. It has generally shown, and has needed to show, an ability to learn from experience and adapt accordingly. As yet, there is less reliance on general policy and performance review mechanisms (such as PRSP annual progress reports) and more use made of PGBS-specific reporting than can easily be reconciled with the PGBS goal of supporting national systems. However, there are moves towards convergence (e.g. by linking performance assessment frameworks more closely to national strategy documents). The main threats to continuity and sustainability of PGBS processes are likely to be political.

Policy Cross-Cutting Issues

S38. For the non-political cross-cutting issues (gender, HIV/AIDS, the environment), findings are that PGBS in Mozambique, Uganda and Vietnam is a useful complementary instrument to other aid modalities, because it coordinates, creates forums for dialogue and makes links across sectors. The Vietnam report notes scope for greater attention to gender, while Mozambique highlights the still weak implementation of reforms. In Rwanda, non-political cross-cutting issues are not explicitly addressed in the PGBS design. This is because other mechanisms appear to be sufficient to ensure issues are adequately addressed (some indicators and measures related to HIV/AIDS and environment, but little gender-specific attention). In Burkina Faso, Malawi and Nicaragua there is, overall, a limited relationship between non-political cross-cutting issues and PGBS, with some specific policy formulation actions or indicators for gender and HIV/AIDS, but not directly for the environment.

S39. In the majority of the case study countries, HIV/AIDS is having large-scale effects with serious long-term implications for development strategy and public expenditure. These long-term issues are badly neglected.

S40. Except in Vietnam, democracy and human rights are included as an underlying principle in memorandums of understanding. These issues are a key risk factor affecting continuation and level of PGBS (most recently in Uganda) and have affected some donors' decisions over suspension (Malawi). In Rwanda, such issues are raised in the context of the overall dialogue and by individual international partners based on bilateral agreements with government. Where a separate governance matrix has been developed, progress is slow (Nicaragua – however, PGBS is still in its formative stage) or donors are not satisfied with quality of dialogue (Uganda) or implementation is weak (Mozambique).

THEMATIC ISSUES

S41. Issues in the study countries are part of a wider debate. We review a number of thematic issues, drawing principally on the study findings but also on the wider literature.

The Uses of PGBS

Distinctive features

S42. Where PGBS has become established, its key features are:

- (a) *Its orientation to the support of nationally-owned poverty reduction strategies.* PGBS offers an exceptionally powerful instrument for focusing both government and international partners' attention on the development and implementation of the poverty reduction strategy.
- (b) *Its orientation towards the strengthening of government capacity* to promote pro-poor development, and its systemic approach – using the systems that need to be strengthened.
- (c) *Its focus on results*, via the links between policy and implementation.
- (d) *Its inevitable concern with public finance management.* This stems immediately from fiduciary concerns about the resources entrusted to national public finance management systems and, more fundamentally, from the budget's role as the key link between policy and implementation.
- (e) *Its explicit intention to improve the quality and effectiveness of aid* – immediately, by advancing harmonisation and alignment; and, more fundamentally, by promoting a virtuous circle in which improvements in the capacity of government and improvements in the quality of aid reinforce one another.

Strategic biases of PGBS

S43. A forceful critique of PGBS is that it shows a bias towards the expansion of public services without sufficient attention to quality; and that it neglects growth and the development of the private sector on which growth and poverty reduction depend. The study concludes:

- The initial bias towards public service expansion was inevitable, with strong political support on both sides. More attention is now required to the quality of basic public services and, in particular, to their poverty incidence.
- International partners and governments need to move on from simplistic ("pro-poor expenditure") approaches to deeper analysis of sector and sub-sector strategies and their expenditure implications.
- International partners, in particular, need to consider long-term financing strategies for the Millennium Development Goals (MDGs), in terms of their sustainability, their aid-finance requirements, and the appropriate balance of expenditures across sub-sectors.

- There should be more explicit attention paid by governments and international partners to the income poverty and growth implications of public policy and expenditures, and to the ways in which PGBS may complement other modalities in this area.

Cross-Cutting Issues

S44. There are many examples of complementarities between PGBS and other modalities in addressing cross-cutting issues. Similar considerations apply to other areas that have a cross-cutting character (e.g. private sector development, decentralisation). PGBS is not a substitute for all specialist cross-cutting work, but has potential to assist in cross-sector visibility and mainstreaming, as well as harmonisation across International partners. This is especially so because of the PGBS focus on the national budget and core public policy processes.

PGBS and capacity

S45. Key findings:

- PGBS can have positive systemic effects on capacity, and it can reinforce the effectiveness of technical assistance.
- Bringing more discretionary resources within the scope of the national planning and budgeting processes strengthens their coherence and quality, and encourages those involved to address policy and efficiency issues more effectively.
- There is much unexploited scope for coherence and coordination in the application of technical assistance related to public finance management; a more strategic approach is required, along the lines of the Development Assistance Committee guidelines for a strengthened approach to public finance management capacity development.
- Effective medium-term expenditure frameworks (or MTEFs) are a key to embedding policy-based budgeting; they need strong support from governments, and from PGBS and other donors.
- More attention is needed to the capacity of local governments (including their public finance management capacity).

The dangers of overloading PGBS

S46. There are many things that PGBS can (help to) do. But its potential range is itself a risk: that is, there is a serious danger of overloading one instrument, and of expecting it to achieve too many things and too quickly. The appropriate scope and focus of the PGBS instrument can only be decided in country context. In all cases, however, its central role in strengthening public expenditure management should be kept in focus.

The timescale for PGBS

S47. Its distinctive features and potential uses all highlight the nature of PGBS as a long-term instrument and approach. Capacity development and institutional change require stamina. Moreover, the partnership on which PGBS is premised requires a long-term sustainable relationship, based on trust.

Partnership and Conditionality

Donor and government interests

S48. Partnership does not require partners to have identical views or interests, but transparency about the interests of the partners is important. Some key points are:

- The PRSP approach embodies a doctrine of partnership, ownership and empowerment; and PGBS is essentially an instrument through which to apply the PRSP approach.
- There is tension between a philosophy of "partner government autonomy" and the reality that, in many cases, poverty reduction is a higher priority for donors than for partner governments.
- Ownership is a valuable concept in understanding why some interventions succeed and are sustained while others do not. But much depends on nuances such as the distribution and depth of ownership on both sides of the relationship. Moreover, government ownership and country ownership are not the same thing.

Conditionality and performance assessment

S49. Simplistic models of conditionality are not helpful in a context where dialogue between government and partners has become very wide-ranging: with discursive debates on policies, mutually agreed targets and mutual assessment of performance. Conditionality cannot (for long) impose donor strategies on unwilling governments. But, in areas where there is an overlap of interests, international partners and (reformers within) governments can work together towards common objectives. Agreed performance targets and conditions then serve as signals (partly to reassure remote financiers that progress is being made and their funds are doing something useful). By prioritising and setting deadlines that have consequences, such "conditionality" creates managerial, not political, pressure. It focuses on the *when* and *how*, not the *what* of reforms. If it works, it helps to maintain the pace of reforms, not to create the will to implement them. That said, there is a spectrum, not a sharp divide, between "old" and "new" conditionality, and different parties disagree about what conditionality is for and how much it has really changed.

S50. Like many "conditions" attached to PGBS, earmarking may serve international partners mainly as a signalling device – transmitting signals to partner governments about international partners' concerns and priorities, and/or to reassure home constituencies about how resources are being used. Notional earmarking and similar signalling devices should be assessed according to their empirical utility, not simply dismissed as theoretically sub-optimal. If adopted, they should be designed so as to minimise transaction costs.

S51. Performance assessment frameworks play a valid role in seeking to operationalise national poverty reduction strategies, although it is important that they converge with national systems. The dangers of micro-management expressed in indicators of intermediate progress are real, and it is certainly important to monitor outcomes. But monitoring outcomes (and impacts) is not a substitute for monitoring all the stages in the results chain. It is important to keep disbursement-linked conditions to a minimum, and ensure that these are genuinely agreed with the government concerned.

Implications for trust, capacities and joint accountability

S52. It is impossible to overlook the role of trust in the adoption of PGBS and its subsequent performance. This has implications for the design of conditionality and mechanisms for dialogue, for the capacities and skills needed on all sides, and for the forms of accountability between the partners.

S53. A partnership approach makes heavy and particular demands on both donor capacities and key partner government staff. Limitations on both donor and government capacities reinforce the need to avoid overloading the PGBS instrument, especially during its early development.

S54. Collaboration in policy development and implementation requires not only mutual accountability for what each party commits to the partnership, but also joint accountability for its results. It would be invidious if international partners, having jointly devised a strategy, were then to penalise a government where the strategy fails to yield jointly-expected results. The onus is on both parties to continue to learn from experience without disincentives to candour. Joint reviews of aid performance against the Paris Declaration benchmarks (and others agreed at country level) offer a good way forward for countries that have not yet established mutual accountability mechanisms.

PGBS and Other Aid Modalities

Interactions between modalities

S55. The terms of reference for this study required an evaluation of PGBS, not a comparative evaluation of different aid modalities. However, interactions between PGBS and other aid instruments are important to understanding its successes and limitations in practice. The following main interactions between PGBS and other aid modalities were found through the country studies:

- (a) In all cases, PGBS had a significant influence on harmonisation and alignment. This influence extended across international partners and aid modalities and contributed to enhanced coherence across modalities.
- (b) PGBS effects on the efficiency of government budgeting had further positive effects on overall allocative efficiency, as flexibility in the allocation of PGBS could be used to offset rigidities in the allocation of earmarked and off-budget aid.
- (c) PGBS also had direct positive effects on other aid through its contributions to operational efficiency. In allowing for a better balance between recurrent and capital expenditure, PGBS can increase the returns to other capital projects. By increasing the discretionary funds available, PGBS made it easier to meet the counterpart funding requirements of projects in their implementation phase.
- (d) The effect of PGBS on promoting greater coherence between sectors, and providing an incentive for policy formulation at sector level, can improve the environment for all forms of aid.
- (e) Dialogue and conditionality linked to PGBS can complement other work on sector and cross-cutting issues and vice versa.
- (f) To the extent that PGBS-related capacity development has strengthened public finance management systems and accountability, it benefits all modalities using those systems and encourages their wider use. In some cases, there was a demonstration effect, with PGBS encouraging other donors to experiment with the use of government systems.
- (g) PGBS has had synergy with project modalities supporting public finance management development, although this has not been exploited to its full potential.
- (h) On the other hand, the potential effects of PGBS – on transaction costs, on budget transparency and on allocative and operational efficiency – were reduced in cases where large flows of aid remained off-budget and/or un-integrated with national planning and budgeting procedures. This is partly because of the continuing direct consequences of modalities running in parallel, and partly because it limits the scale effects of PGBS.

Government and donor preferences on aid modalities

S56. Several partner governments are pressing for a larger share of aid to take the form of budget support, but they do not have clear strategies for the appropriate balance between different forms of aid. Donors, too, seem to have paid little attention to this issue, although in practice their strategies are based on achieving a balanced portfolio across interests and instruments, thus spreading risks.

S57. There are interesting moves in several study countries (e.g. Rwanda, Vietnam) towards seeking budget or sector support modalities of more limited scope. There are also positive reasons for these alternative programme-based approaches. They reflect a sense that PGBS is politically vulnerable by virtue of identifying the donor with everything the government does. Donors' ability to explain and justify their PGBS involvement to home constituencies is a crucial determinant of sustainability. This partly explains continuing interest in forms of virtual earmarking, the competing attraction of (earmarked) sector budget support, and some agencies' preference for automatic links between outcome indicators and disbursements.

S58. Potential complementarities between aid modalities are highly significant, but not yet systematically factored into aid management strategies, either at country level or at the level of individual donor portfolios. One consequence is what the Paris Declaration refers to as *the often excessive fragmentation of donor activities at the country and sector levels*. Donors and partner governments, generally and at country level, should develop strategies to optimise complementarities between aid instruments.

Managing Risks

Macroeconomic conditionality

S59. A rigid link between PGBS disbursement conditions and the IMF's Poverty Reduction and Growth Facility (PRGF) conditions may cause unnecessary short-term volatility in PGBS flows. The risk is magnified because PGBS brings into the same instrument resources that would otherwise have been disbursed through separate projects or programmes. There are already welcome moves to clarify the IMF signalling role, which will mitigate some of this risk. International partners need also to design a graduated response procedure that takes account of the budgetary purposes of PGBS funding, as well as the macroeconomic implications of its interruption.

Domestic revenue and sustainability

S60. For the short period of PGBS disbursement under review, there was no evidence of a reduction in revenue effort in response to PGBS flows. There remains the possibility that an assured flow of PGBS, other things being equal, could lead to a reduction in revenue effort over the long term. But an available response, already in place, is to accompany PGBS with direct measures to strengthen revenue institutions in the assisted countries, and to include revenue performance among the indicators monitored.

Fiduciary risks and corruption

S61. Fiduciary risks are commonly defined as the risk that funds are not used for the intended purpose, do not achieve value for money or are not properly accounted for. Corruption is one of the possible sources of fiduciary risk. The channelling of aid funds through government budgets has created more interest in the fiduciary standards of public finance management. Donors are not the only stakeholders who are vulnerable to fiduciary risk in the use of public funds: the partner country's citizens, not least the poor, are the primary victims.

S62. The agencies that participate in PGBS tend to recognise that the comfort associated with separate controls and "ring-fencing" for aid funds has limits. It does not address the fungibility of such support; nor does it address the fiduciary risks to public expenditures as a whole. PGBS donors argue that operating through government systems increases their ability to demand better accountability of all public resources. They address issues of accounting, transparency and audit in the information they demand for monitoring PGBS and public performance in general, in the conditionalities linked to PGBS, and in the technical assistance and capacity building programmes with which it is accompanied. The country case studies confirm that PGBS plays a valuable role in strengthening public finance management.

S63. It is often assumed that budget support is more vulnerable to corruption than other forms of aid but this is not self-evident, not least because its vulnerability is influenced by the safeguards that accompany it. PGBS donors feel a special vulnerability to corruption – and to high profile corruption in particular – because of its potential to erode the trust on which partnership depends and to undermine public support for aid. They seek safeguards at two levels: by monitoring (and seeking to strengthen) the government disbursement and procurement systems through which implementation takes place, and also by monitoring government expenditures at an aggregate level.

S64. Corruption is a serious problem in all the study countries, but the country study teams found no clear evidence that budget support funds were, in practice, more affected by corruption than other forms of aid. Corruption, and anti-corruption measures, have featured explicitly in the performance matrices and prior actions linked to PGBS. Most often, prior actions related to legal measures, policy development and administrative actions, but, even when formally complied with, such measures have not been conspicuously effective. Work on public finance management has been more significant in terms of its practical effect on the environment for corruption. Donors, with PGBS donors very prominent amongst them, have also pursued anti-corruption strategies by complementary means. These have included specific projects and technical assistance to support accountability institutions (audit agencies, parliaments etc), and support to civil society organisations engaged in such issues. It is clearly vital to continue to pursue broad anti-corruption strategies that focus on long-term improvements to country systems as well as short-term safeguards for donor funds. Such strategies should recognise the complementary roles that different aid instruments can play, and the potential for PGBS to contribute to the strengthening of public finance management as a means of limiting the scope for corruption.

Political risk

S65. There is consensus, reflected in the DAC good practice guidelines, that *political conditionality should not be specifically linked to budget support or any individual aid instrument, but should rather be handled in the context of the overarching policy dialogue between a partner country and its donors*. Nevertheless, experience tends to demonstrate that budget support – and general budget support in particular – is especially vulnerable when there is a political deterioration in relations. This potentially undermines PGBS as a long-term instrument. The apparent special vulnerability of PGBS to political risk is part of a more general issue about predictability and risk management in relation to PGBS.

Predictability and managing risks

S66. The study's comments on predictability and risk are derived from a perspective of PGBS as an inherently long-term instrument. Useful measures have been taken to address the short-term problems of unpredictability that blighted some early experiences with PGBS. Although useful, these improvements also reflect the inveterately short-term perspective that is built into the way international partners do business. Fine-tuning of the existing instrument may further

improve its efficiency, but will not change its essentially hand-to-mouth character. In line with their commitments to the MDGs and the scaling up of aid, international partners should work with governments to develop genuinely long-term aid instruments that could provide reliable support to the recurrent as well as the capital budgets of partner countries.

S67. There are also practical ways in which more familiar forms of budget support could be made more robust and more attuned to the political environment. Non-earmarked budget support that is linked to a sector dialogue is likely to be less vulnerable to political risk or lapses in the stamina of international partners. Although a proliferation of budget support instruments is undesirable, a modest number of sector-linked instruments could be coordinated with an integrating general support instrument that ensures consistency and adequate attention to central fiduciary and public expenditure management issues. Such alternative designs of budget support should be considered as part of wider reviews of aid strategy and aid modalities at country level.

CONCLUSIONS AND RECOMMENDATIONS

The Evaluation in Perspective

S68. PGBS is not a development programme or strategy in itself, but an approach that aims to support the development strategy of the partner country. The study required evaluation of a moving target, since both the partner strategies and the related PGBS instruments were evolving during the evaluation period. It should not automatically be assumed that PGBS will necessarily always have the effects found in these cases. In the same way, cases where no effect was found should not be generalised to imply that PGBS is necessarily incapable of producing such an effect, or is irrelevant to the issue under consideration. The evaluation pointed out the cases, and the points in the causality chain, where definitive conclusions were not possible – because the time-scale was too short for final evaluation and/or adequate data are lacking.

S69. Many of the difficulties in tracing or attributing the effects of PGBS apply similarly to other modalities and, indeed, to aid in general. Ultimately, PGBS should not be held to a higher (or lower) standard of "proof" than other approaches, modalities and instruments with which it may be compared.

S70. The sample of countries evaluated was limited, and experience with PGBS is relatively recent. This required care in drawing conclusions. However, given the rigour of the methodology, the evaluation team is confident that its conclusions are robust as far as they go.

Overall Assessment of PGBS to date

S71. The variety of designs and contexts requires care when generalising from observed performance. However, the following important findings were clear:

- (a) PGBS has been a relevant response to certain acknowledged problems in aid effectiveness.
- (b) PGBS can be an efficient, effective and sustainable way of supporting national poverty reduction strategies. It played a clearly positive role in five of the seven case study countries (Burkina Faso, Mozambique, Rwanda, Uganda and Vietnam). Subsequent findings about the effectiveness of PGBS are based mainly on the experiences of these five countries. In one country (Nicaragua), PGBS was at so early a stage that it was not possible to draw firm conclusions about its effects. In

another (Malawi), PGBS was not successfully established during the evaluation period.

- (c) Provision of discretionary funds through national budget systems has produced systemic effects on capacity, and particularly capacity for public finance management, that are posited in the evaluation framework. Moreover, these effects are government-wide in nature. PGBS was not a panacea, but it did strengthen government ownership and accountability and, in the short–medium term, there were useful effects on the allocative and operational efficiency of public expenditures (including aid). These in their turn were linked with medium–longer term systemic effects on improving the links between policy and results.
- (d) PGBS tends to enhance the country-level quality of aid as a whole, through its direct and indirect effects on coherence, harmonisation and alignment. This makes PGBS a particularly valuable addition to the array of aid instruments in use. It also highlights the need to employ PGBS as part of a strategy that takes account of the interplay between different aid modalities.
- (e) As regards poverty reduction, it was too soon for the ultimate effects of PGBS inputs during the evaluation period to be manifest. PGBS is a vehicle that assists in implementing a poverty reduction strategy. Its ultimate effectiveness in reducing poverty is bound up with the quality of the poverty reduction strategy that it supports. Given the bias of early poverty reduction strategies towards the expansion of public services, most of the effects of PGBS inputs so far are likely to have been on access to services, rather than income poverty and empowerment of the poor.
- (f) It is important not to overload the PGBS instrument. However, the team found in all cases a capacity to learn from experience, which suggests that PGBS could become more effective, and have a broader scope, over time.
- (g) The evaluation also considered possible unintended effects of PGBS. It did not find evidence of significant crowding-out of private investment nor of the undermining of domestic revenue effort. Malawi's experience showed that PGBS could have a destabilising effect when basic conditions for disbursement are not met; in other countries PGBS design has been improved to limit short-term unpredictability. Corruption can undermine all forms of aid; systemic strengthening of public finance management, which PGBS supports, is an important part of a broad anti-corruption strategy. All of these potential adverse effects, however, also represent risks that need to be taken into account in the design of PGBS (and other aid).
- (h) The evaluation team also found that PGBS, as presently designed, is vulnerable to a number of risks, including political risks. These threaten its ability to operate as a long-term support modality. Its sustainability depends on making it more resilient.
- (i) PGBS is part of a family of programme-based approaches and many of the findings are also relevant to programme-based approaches in general.

Future Roles for Partnership GBS

S72. Deciding whether PGBS is an appropriate modality is not a simple yes/no decision. For any given aid-recipient country, there are also choices about the scope, scale, design and role of any PGBS instrument. A set of rigid prescriptions ("undertake PGBS in such-and-such countries, do not attempt PGBS in such-and-such countries") would be neither justified nor helpful (it would almost certainly exclude some case study countries where PGBS has had positive value). There are many variables that have to be balanced – and some of them may count on both sides of the scale. For example, certain weaknesses in public finance management could simultaneously be a problem that PGBS might help to address and a risk to

PGBS itself. However, there are certain factors about the (potential) partner country, and about the quality of the aid relationship, that will always be relevant.

S73. Partnership requires willing partners. The state (and potential) of aid relationships is key. The partner government must want to engage in PGBS, and must also have a fundamental ability to engage with international partners, and to follow through on its own strategy. There must be basic trust between the potential partners (international partners and governments), and a significant consensus on development strategy (including a broad consensus on patterns and priorities for public expenditure). The competence and status of the planning/finance ministry are crucial. Not least, donors who embark on PGBS should be prepared for a lengthy engagement.

S74. PGBS is more likely to be an attractive option to countries that are significantly aid-dependent. Here the problems met when reconciling large aid flows with healthy development of state institutions are more likely to be serious. This makes more relevant the role of PGBS in increasing the role of budgetary discretion and increasing alignment between government and donors. But significant volumes of PGBS will be problematic unless macroeconomic stability and elementary fiscal discipline have been established.

S75. The greater the capacity of the government (and especially its core planning and budgetary systems), the easier implementation should be. But there is another way of looking at the capacity issue, which is to tailor the scale and ambition of PGBS to an assessment of the initial situation, and to follow an incremental approach which sets the sights higher as (and if) capacity improves. Over time, and depending on performance, PGBS may be scaled up in several dimensions: in volume of funds (including a contribution to the scaling up of total aid flows), as a share of aid resources, and in terms of the policy and sectoral scope of the PGBS dialogue.

S76. The findings from our country studies as a whole do not support the idea that there is a standard evolutionary sequence, in which project aid first gives way to sector programmes (or sector basket funds) before the eventual introduction of unearmarked budget funding. They do support the value of moving to the use of government systems as early and as completely as is practical.

S77. While it is important that such instruments should not proliferate in a random way, there is scope for a limited number of sector-focused and more general PGBS instruments to be mutually reinforcing. Sector-focused budget support instruments should be seen as possible complements to, not a substitute for, general budget support. The more general PGBS instrument (with its associated dialogue and support for capacity development) plays two roles that sector budget support could not provide in isolation: (a) as the focus of support for strengthening overall public finance management, including the budget system; (b) as a force for coherence and alignment across sectors.

S78. The evaluation team broadly endorses the existing OECD Development Assistance Committee's good practice guidelines on budget support. It makes two main additional comments:

- (a) The DAC guidelines imply a stronger discontinuity between general and sector budget support than the study found. Recognition of a spectrum of budget support instruments implies that many of the good practices defined for general budget support will also apply to instruments that are habitually referred to as sector budget support. Alignment and coordination among budget support instruments with different (general/sector) orientations is an important practical issue.

- (b) PGBS needs to be conceived (and developed and managed) as part of strategy which takes explicit account of the interplay between different aid modalities and instruments, seeking to exploit complementarities and tackle dissonance between them.

LIST OF RECOMMENDATIONS

S79. The study's recommendations are listed below by broad themes. Several recommendations are relevant to more than one theme.

On the scope and focus of PGBS

Recommendation 1 The adoption and design of PGBS

- (a) *Follow an incremental approach in introducing PGBS, which may be relevant in a wide variety of contexts.*
- (b) *Follow the general principles and good practices for budget support set out in the OECD DAC guidelines on effective aid, but make allowances for the interaction and overlap between general and sector-focused approaches to budget support.*

Recommendation 2 Scope and focus of PGBS

- (a) *Take care not to overload PGBS, either with unrealistic objectives or with too many reform tasks. This is especially important during the early, learning phases, of PGBS development.*
- (b) *The appropriate scope and focus of the PGBS instrument can be decided only in the country context. In all cases, however, its central role in strengthening public expenditure management should be kept in focus.*

On capacity development

Recommendation 3 Capacity development

Key directions for capacity development related to PGBS include:

- (a) *Support capacity development by using government systems; in particular, accelerate moves to bring aid funds on-plan and on-budget.*
- (b) *Recognise the centrality of public finance management reform (medium-term policy-based resource allocation as well as fiduciary management systems) for the development of national capacity to manage for results.*
- (c) *Strengthen the policy analysis, budgeting and expenditure management capacities of line ministries as well as finance ministries, so as to enable more effective planning and budgeting processes within government.*
- (d) *Pay more attention to capacity issues (including public finance management capacity) as they affect local governments.*
- (e) *Seek more alignment around government-led capacity development strategies for public finance management, and for public sector management generally.*

On the policies and strategies it supports

Recommendation 4 Income poverty and growth

Governments and international partners should pay more explicit attention to the income poverty and growth implications of public policy and expenditures, and to the ways in which PGBS may complement other modalities in this area.

Recommendation 5 Quality and financing of public services

- (a) *Governments and international partners should pay more attention to the quality of basic public services and, in particular, to their poverty incidence.*
 - *A first requirement is to learn more – through monitoring of service quality, incidence and uptake (including geographical and social incidence, and the preferences of poor people themselves).*
 - *PGBS and related sector dialogues offer opportunities for governments and international partners to address such issues jointly.*
 - *Programmes to strengthen analysis and monitoring should be designed in a way that increases national and government capacity in these fields.*
- (b) *International partners and governments need to move on from simplistic "pro-poor expenditure" based expenditure allocation approaches to deeper analysis of sector and sub-sector strategies and their expenditure implications.*
 - *Again, programmes aimed at strengthening analysis and monitoring should be designed in a way that increases national and government capacity in these fields.*
- (c) *International partners, in particular, need to consider long-term financing strategies for MDGs, in terms of their sustainability, their aid-finance requirements, and the appropriate balance of expenditures across sub-sectors.*

Recommendation 6 PGBS and cross-cutting issues

- (a) *The potential for supporting policy cross-cutting issues through PGBS should be kept under review. Pragmatic considerations mean that different approaches will be taken in different countries and at different times – taking account of the need to avoid overloading the PGBS instrument, the scope for addressing cross-cutting issues through other instruments, and the potential to add value by exploiting complementarities between instruments.*
- (b) *More generally, global initiatives and other vertical programmes should always be integrated with national and sector planning and budgeting.*

On performance assessment and conditions

Recommendation 7 Performance assessment frameworks

- (a) *Partner governments and donors should implement the Paris Declaration commitments with respect to alignment and managing for results.*
- (b) *Take care that disbursement-linked conditions are kept to a minimum and are genuinely agreed with government.*
- (c) *Ensure that performance assessment systems address all links in the results chain, so as to serve the management and monitoring of the implementation of strategies, as well as the monitoring of results.*
- (d) *Decisions to increase or reduce levels of PGBS support should mainly be based on medium-term assessments of overall performance.*

Recommendation 8 Signalling the uses of budget support

- (a) *Virtual earmarking and similar signalling devices should be assessed according to their empirical utility, not simply dismissed as theoretically sub-optimal.*
- (b) *If adopted, they should be designed so as to minimise transaction costs.*
- (c) *Aid agencies should seek common (and mutually consistent) approaches to the sector-attribution of general budget support for reporting purposes.*

On managing risks

Recommendation 9 Macroeconomic conditions

- (a) Retain the IMF role of monitoring, reporting and advising on macroeconomic performance ...*
- (b) ... but avoid a mechanistic yoking of all PGBS funds to the IMF's own conditions. Design a graduated response procedure that takes account of the budgetary purposes of PGBS funding as well as the macroeconomic implications of interruptions.*

Recommendation 10 Revenue mobilisation

(Continue to) accompany PGBS with technical support to strengthen revenue agencies and monitor revenue targets.

Recommendation 11 Fiduciary risks and corruption

- (a) Fiduciary risks (including corruption) should be assessed from the perspectives of all stakeholders, not just donors.*
- (b) Common approaches to diagnosis and monitoring of PFM standards (including the PEFA indicators) should be strongly supported.*
- (c) Decisions about the adoption (and the design) of budget support should be based on a country-level assessment of the balance of potential risks and benefits.*
- (d) Donors should continue to pursue broad anti-corruption strategies, building on potential complementarities between different aid instruments. Such strategies should take into account the potential for budget support – in conjunction with other aid instruments – to help strengthen public finance management, including procurement, and thereby help limit corruption.*
- (e) More (shared) research is needed on corruption. Political analysis should encompass work on the drivers of corruption, and this should be complemented by practical work on the ways that corruption affects the poor (e.g. in service delivery).*
- (f) There should be more attention to public education in aid-giving countries about the whole spectrum of aid agencies' anti-corruption endeavours.*

Recommendation 12 Political risk and graduated responses

- (a) There should be more systematic analysis of political risk in relation to budget support (and other forms of aid). Such analysis should be shared among donors (including, especially, those preparing joint assistance strategies). The design of budget support instruments should seek to increase the options for graduated responses when political signalling is deemed necessary.*
- (b) In seeking to reconcile known risks with the needs for long-term funding, international partners should seek to develop genuinely long-term funding instruments, based on the design principles of budget support.*
- (c) Aid strategy reviews at country level should also consider pragmatic ways of making budget support both more robust and more easily manageable by developing mutually compatible budget support instruments focused on sector or sub-national levels of government.*

On managing aid

Recommendation 13 Aid strategies

- (a) International partners and governments, generally and at country (and sector) level, should develop strategies to optimise complementarities between aid instruments.*
- (b) These should consider, inter alia, the transaction cost implications of existing and proposed configurations, and the available and desirable levels of harmonisation among donors.*
- (c) Aid strategies should include explicit proposals for the use of budget support itself.*

See also Recommendation 12 (b) and (c) on design of budget support instruments.

Recommendation 14 Management and monitoring of partnerships

- (a) Donors who engage in PGBS should do so on the basis that it is a long-term endeavour in which both sides need to build up and sustain trust and track records of reliability.*
- (b) Donors engaged in PGBS should increase the in-country discretion afforded to their local offices, strengthen their understanding of local political and administrative detail, and seek greater continuity in staffing.*
- (c) Support to strengthening government systems requires attention to both the supply and demand aspects of capacity; while strengthening the capacity of finance ministries and other central agencies is essential, there needs to be a balance between central and sectoral capacity development.*
- (d) The concepts of mutual accountability and joint accountability are important. Independent monitoring of aid performance (as pioneered in Tanzania) could play an important role, and should incorporate monitoring of the Paris Declaration benchmarks.*

Published by The Department for International Development on behalf
of the Steering Group of the Joint Evaluation of General Budget
Support

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ISBN: 1 86192 804 1