



KINGDOM OF BELGIUM
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**Foreign Affairs,
Foreign Trade and
Development Cooperation**

**THE BELGIAN
DEVELOPMENT COOPERATION .be**

Evaluating Budget Support: a New Approach to Show Results

Workshop

Wednesday 21st and Thursday 22nd of March 2012

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1. Background to the Workshop:

Many bilateral and multilateral donors provide some of their development aid through partner government budgets. There is a very high interest to finding out whether this form of assistance – generally known as budget support – is an effective way to contribute to achieve sound development policies, poverty reduction and economic growth.

To address this need, members of the OECD DAC Network on Development Evaluation developed a methodological approach to evaluate the results of budget support and tested it in three countries (i.e. Tunisia, Mali and Zambia).

The results of these studies have been disseminated and the methodology revised. Members of the network have now begun to roll-out further evaluations in countries receiving budget support.

Key lessons learned on Budget Support from the three countries evaluations can be summarized as follows:

- Budget support is an effective tool in countries where the government has the capacity and the determination to put in place robust development policies.
- It benefits from complementarity with other forms of aid, especially for capacity-building.
- It is more beneficial with higher degrees of donor harmonisation and alignment.
- It cannot determine major policy changes but can provide sound support to policy implementation that is not possible with projects only.
- Its effect is strengthened and multiplied when it is linked to wider political and economic partnerships.
- Budget support can increase transparency and accountability of budget processes and public expenditure management and may therefore be used to support anti-corruption policies.
- The choice between general and sector budget support and other aid modalities should be flexible and context-based.

On this background the first International Workshop on Evaluating Budget Support, hosted by the Belgian government, took place on 21/22 March 2012 in Brussels at the Palais d’Egmont, Place du Petit Sablon 8, B-1000 Brussels, Belgium.

A total of 90 people, representing 20 different countries, 7 partner countries , 12 donor organisations and 10 non-state actors participated in the Workshop. (Annex 1)

2. Objectives of the Workshop and Agenda:

The **objective** of the Workshop was to allow participants to form a good understanding of the results of budget support programmes, familiarise themselves with the methodological approach and the requirements to obtain evaluations of high quality.

Based on a presentation on the methodological approach on budget support evaluations and the major findings of the 3 pilot evaluations, a panel and thereafter the plenum addressed the related major overriding and politically important issues that were formulated within 5 leading questions. During a further panel and plenum discussion, participants explored how to carry out future evaluations more effectively and efficiently. 5 questions lead again the contributions.

The Workshop devoted a further session to Case Studies covering 2 of the 3 Pilot studies, in order to better understand the working of the so called 3Step methodological approach for budget support evaluations.

3. Summary of Discussion:

During the **first panel and plenum** discussion participants pointed out that although budget support is not a panacea, the three pilot evaluations have shown very positive results in so far that there is evidence and not only 'believes', that budget support was contributing to the desired developmental outcomes and impacts. Furthermore, it was stressed that there is no evidence that risks have increased compared to project support that justify the scepticism being expressed towards this aid modality. Despite criticism, it can be expected that budget support will continue to be an important aid delivery instrument.

To provide further evidence of the contribution budget support is making in the development process and to improve the efficiency and effectiveness of applying this aid modality, evaluations of budget support operations in a large number of countries are of high importance. The evaluations need to be carried out jointly by the donors providing budget support to the respective partner countries. Although the evaluations need to be carried out by "external" bodies, governments need to be committed to support the process. The 3 Step methodological approach appears to be complex but it enables the consideration of the main determining factors of the targeted outcomes and impacts and therefore strengthens the analytical results.

The **second panel and plenum** discussion on how to carry out future evaluations (every 5 to 6 years) more effectively and efficiently concluded that the planning and organisation of evaluations must start during the phase of the design of a BS programme. Detailed provision on timing, data collection, time of surveys, responsibility to document policy dialogue, etc. must be included in Financing Agreements and Memorandum of Understanding.

The high importance of policy dialogue as core element within budget support operations was stressed. At the same time it was pointed out that country – donor policy dialogue must be part of the wider domestic policy dialogue of partner countries (i.e. government bodies, control bodies and non-state actors). Civil society and other non-governmental bodies must therefore play an enhanced role in policy dialogue and the design and implementation of budget support programmes. There was agreement that the higher the domestic dialogue is developed and the more donors are aligned to it, the more effective donor assistance promises to be. In this context it was pointed out that partner countries and donors need to make available the required expertise. Finally, policy dialogue taking place at national and subnational level between different actors needs to be better documented and kept over time. Ideally the documents should be in government's hand but donors may assist in this respect.

As a further major bottle neck for evaluations was mentioned the lack and readily availability of timely good qualitative data which calls for the provision of TA and capacity building measures.

There was also recognition, that the pool of evaluators familiar with the 3 Step approach must be enlarged in order for donors together with governments to be able to cope with an increasing number of budget support evaluations.

DAY 1- Activities & Key Issues

Morning Session

I. Welcome and Introductions

- Welcome by Mr. Guy Berings, Deputy Head of Cabinet of the Minister of Development Cooperation (see Annex 2)
- Introduction by Juergen Lovasz, Evaluation Unit, European Commission
- Introduction by Jean Bossuyt, Facilitator, European Center for development policy Management (ECDPM)
- PPT on the 3 step approach, Martin Van der Linde, Consultant, Ecorys (see Annex 3)
- PPT on main lessons learned, Camilla Valmarana, Consultant, DRN (see Annex 4)

II. Panel discussion on the results of budget support in the framework of the new methodological approach:

Panelists:

- Klaus Rudischhauser, Director, EC;
- Robert Diarra, DG of Budget, Ministry of Economics and Finance, Gov. of Mali,
- Stefan Leiderer, Senior researcher, German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE)
- Jeroen Kwakkenbos, Policy Officer, Eurodad
- Katrin Ochsenbein, Economist; SECO, Switzerland

Topics for Discussion:

1. Considering the results of the 3 pilot evaluations, are there lessons learnt for you in relation to the future utilisation of budget support (and compared to other aid modalities)? What factors (political, institutional, specific country context, programme content, commitment pressure, other) influence decisions to opt for budget support (BS) ?
2. Do you see budget support solely as a funding instrument or is it also possible to encourage more general reforms with budget support? If so, what are the conditions for the effectiveness of budget support?
3. What do you think of the general approach for the evaluations of budget support as proposed by the OECD/DAC (i.e. the 3 step approach) and implemented in the three evaluations, i.e.:
 - a) Step I: a focus on the causal links between BS inputs and changes in government policies and public financial framework
 - b) Step II: a focus on the results of government interventions that were aided by budget support?
 - c) Step III: look for causal links between budget support funding, dialogue and technical assistance and results of government policies.
4. Do you find it useful to extend evaluations of BS to more countries and what should be the objectives of such evaluations?
5. Evaluations have shown that achievements of BS operations improve if donor harmonisation is improved. How do you assess the evolutions at national and international level in this respect?

Panelists' position on topics 1-3 (key messages are highlighted in blue boxes):

➤ Klaus Rudischhauser,

Up to a couple of years ago we did not have a methodological approach for BS evaluations that analysed the contributions BS inputs have on developmental outcomes and impact. People and organisations 'believed' in BS, but there was little 'evidence' and factual information on its results. It is thus extremely important for the EC to have now this kind of evaluation, which is key to increase credibility towards external stakeholders.

The October 2011 EC Communication on BS has addressed main issues related to Budget Support, which was getting under pressure by several stakeholders who questioned whether BS was really contributing to the desired developmental outcomes and impacts.

These three pilot evaluations have shown that such a link between BS inputs and outcomes/impacts can be demonstrated. Big efforts are now required in order to disseminate the evaluation tool and to apply it in other countries as well.

The big merit of this evaluation is that it shows that it is possible to establish a causal link between budget support and the results. Evidence shows that BS makes a contribution to targeted results

➤ Robert Diarra :

L'appui budgétaire (AB) a permis d'atteindre deux résultats remarquables :

1- Il a consolidé les appuis. L'AB a permis de financer des programmes. Le taux de pauvreté a été réduit grâce à l'appui reçu par l'AB. Les capacités ont été renforcées, également en termes de planification et programmation.

2- Il a renforcé le niveau de dialogue entre le Mali et ses partenaires. Ce dialogue permet d'améliorer le système dans sa globalité. Il permet aussi une amélioration en termes d'exécution du budget et de prévisibilité de l'aide.

➤ Stefan Leiderer :

The Zambia evaluation has been perceived by many to be very critical of the effectiveness of budget support in Zambia. As any serious evaluation, it stresses those areas, where things can be improved. But that should not distract from the overall message, which is a very positive one, and which applies to all three pilot evaluations.

Budget support has been effective as a funding instrument in all three pilot countries, supporting national strategies to reach national development goals such as the MDGs.

No evidence was found that the risks typically associated with budget support in the public debate (crowding out effect¹ of budget support, decrease in domestic revenue mobilization, reduced expenditures in the social sectors or economic infrastructure, increase of corruption and misappropriation of aid resources,...) turned out to be real problems in practice; on the contrary.

¹ Crowding out means: when a government experiences a deficit, the choice to borrow to offset that deficit draws on the pool of resources available for investment and private investment gets "crowded out".

It is important to stress that this evaluation was an impact evaluation of budget support. It was not a comparison of aid modalities.

Nonetheless, the positive findings with regard to BS effectiveness as a financing instrument and the absence of evidence on increased risks in all three pilot evaluations should be taken as a reminder that in the political debate we should put the burden of proof back to where it belongs: namely on project aid and its weaknesses, for which there is ample empirical evidence.

There is great potential for synergies between different modalities but these synergies need to be systematically prepared. Complementarity between aid modalities is not automatic; it needs to be planned strategically.

- Jeroen Kwakkenbos :
Eurodad is pleased with the results of the evaluation.
Ownership is critical to the whole process.
BS as one of the best modalities. It is a critical aid modality as it increases system capacity.
- Katrin Ochsenbein :
The evaluation results confirmed SECO's beliefs.

One of the most important lessons is the convergence between government and donors' objectives.

Reform-orientation of the government, i.e. willingness to undertake difficult reforms and the openness to policy dialogue, is for SECO an important factor to opt for GBS. The direction of the reforms also matters to donors as for instance, SECO likes to support programs which are focused on private sector reforms and aim at reducing the aid dependency in the long run, through e.g. tax reforms. Institutional factors are also important factors for a positive decision for GBS and relate to donor harmonization, alignment and capacity building (of partner country and donor agency).

Comments of the Audience:

- Carl Michiels, Director General of the Belgian Development Agency (BTC)
How do you measure commitment?
Any incidence of the size of GBS/SBS on the effectiveness?
- Florence Raes, OXFAM International:
A-t-on pu tirer des leçons sur la manière d'améliorer le dialogue entre le Ministère des Finances, le Gouvernement et les bailleurs de fonds?
- Antonie de Kemp, Ministry of Foreign Affairs, The Netherlands
The main challenge of BS is the high expectations.
The financing aspect was effective. However, we see that governments increasingly focus on the political dialogue while this was not necessarily the most effective instrument.
- Jan Vanheukelom, ECDPM:
BS is more effective when objectives converge. In a context where EC and Member States (MS) start to insist on human rights and core values, what is the implication?

- Dirk Brems, Ministry of Foreign Affairs, Belgium

It is necessary to better differentiate objectives of budget support in different country contexts (structural development support versus stabilization in fragile states).

Answers of Panelists & Evaluators

- Camilla Valmarana

Commitment cannot be measured through a pre-defined quantitative scale. It calls for a qualitative judgment based on a number of elements of which quality of policy dialogue, and pace of implementation of reforms constitute key elements. In this respect the 3 step approach allows to look at the different strands of effects by analyzing the role played by the different BS components.

- Klaus Rudischhauser,

The current political discussion of BS is very positive as it will reconfirm and strengthen the utilization of this instrument. Thus, the question will not be whether to provide BS or not but to which countries we shall provide it. The precondition on fundamental values and the 4 eligibility criteria need to be fulfilled.

The DAC definition of BS is rather narrow, as it is strictly related to the transfer of funds. In practice BS is also covering policy dialogue and capacity building measures. Together, these inputs are aimed at contributing to government reforms and improvements at the level of public finance management, transparency, public administration and social service delivery.

- Katrin Ochsenbein:

BS can be seen as a way to build up a coherent approach of aid modalities in a country. The effectiveness of BS is increased when BS is coupled with other aid modalities. This is especially true for small donors.

- Robert Diarra:

Après la préparation du budget, une revue conjointe est faite avec les bailleurs de l'aide budgétaire pour discuter du cadrage budgétaire et de ses faiblesses.

Par rapport à la pauvreté, il faut faire attention aux différentes dimensions de la pauvreté (monétaire, accès au service de base, etc.) Au Mali, par exemple, l'aide budgétaire a permis de réduire les carences des infrastructures sociales et d'améliorer l'accès aux services de base.

- Stefan Leiderer:

BS is effective in improving the supply side of accountability, e.g. budget transparency, or the capacity of the supreme audit institution. But it cannot do much to improve the demand side of accountability, e.g. from civil society, media, and parliamentarians. For that, a mix of different instruments is needed.

BS has not been as effective in promoting wider policy reforms and good governance as could have been. While it is true that BS (or any form of aid) cannot 'buy reforms', it can provide real incentives for policy reforms. It is important to understand that government commitment is not a given, it is a function of internal and external incentives. But to provide effective incentives, donor coordination is crucial.

So far, donor coordination and harmonization in the context of BS has not been as effective as could have been. But that is not a problem of the instrument but of donor behavior. And, importantly, that other instruments have not proved to be effective in this respect either.

➤ Martin van der Linde:

Buying reform is not and should not be an objective of BS. BS should only be provided when there is a high degree of policy convergence between the partner country government and the BS donors. Buying reform is then not an issue. Policy convergence should be a precondition for starting BS.

Panellists' position on topics 4-5

➤ Katrin Ochsenbein

Not familiar with the methodology but pleased. This methodology can be used as a communication tool in order to argue for future GBS operations by being able to illustrate easier the results achieved and the causal chain between a GBS operation and development results.

Support for other evaluations based on the same methodology, in particular in lower middle-income countries and less-aid dependent countries.

➤ Jeroen Kwakkenbos

Step 1 and 3 quite clear but Step 2 remains a bit unclear.

➤ Stefan Leiderer:

These evaluations have been successful not only in terms of providing evidence for the effectiveness of BS but also with regards to new insights into why and how BS works or not. At the same time, these evaluations are fairly costly both, in terms of time and resources needed, but:

- compared to the overall volume of BS programmes the amounts spent on these evaluations is still comparatively small; and
- these evaluations are policy evaluation (in particular in step 2) , also of interest and beneficial to the partner countries.

Those evaluations are important to learn about the instrument effectiveness, but they also form an investment in better policy formulation, decision making, and domestic accountability in partner countries.

➤ Robert Diarra:

Par rapport à l'approche, il faut continuer avec l'évaluation parce qu'elle emmène toujours de la valeur ajoutée ; elle aide à réorienter les choses et voir ce que ne marche pas.

➤ Klaus Rudischhauser:

The results of the three pilot BS evaluations have indeed shown that where donor coordination is strong, this is reducing aggregate transaction costs and improves development effectiveness. The European Commission is committed to continue its engagement to work jointly with other donors and partner countries on the implementation of successful development operations including those of BS. Although much progress on donor coordination has been made at an international level, donor coordination is far from complete which allows for further improvements..

Comments of the Audience:

➤ Antonie de Kemp:

Good experience of working closely together with the Ministries of Education as well as of Finance. Working together in data collection, field visits, data analysis and writing of the report. More and more it is possible to work with people that are familiar with these methodologies. This goes beyond capacity building.

Afternoon Session

- Group exercise on the evaluation methodology: How does the 3 step approach work in practice?

Participants divided in four working groups working on two subjects:

- 1) Step one of the approach: from inputs to induced outputs
- 2) Step two of the approach: from impacts to induced outputs

Main issues:

- Discussion on the distinction between inputs and outputs: common difficulties among participants.
- Problems in identifying outputs at the level of policy dialogue
- Problems related to the technical assistance.
- Discussion of external factors
- Discussion on determining factors
- Finding the counterfactual. BS out of the picture: what would have happened?
This is a central question in the whole evaluation. In Tunisia, BS meant that the Association Agreement partners were together with the Government in the implementation of the reforms.
- Degree of attribution: how much can we link?
- BS is a package: funds, dialogue and TA. Does the size of the three components play a role on the results?
- Discussion about the difference between level 3 (induced outputs) and 4 (outcomes)

Morning Session

Continuation of open discussion on issues related to the first day

- Riitta Oksasen, Senior Adviser, Ministry of Foreign Affairs, Finland
Project or Budget Support?

It is important that we can use the results of the evaluations to answer the questions of political decision makers. One of their questions is: Is budget support better than project cooperation? Good practice in impact evaluation includes analyzing causality, attribution as well as the counterfactual. In BS the counterfactual is the reality without it, which is basically the project approach.

Step 2 is an evaluation of the impact of public policy; this is the role of our partner country. We need further thinking of how the evaluations are linked to the national evaluation functions of partner countries.

- Philippe Froidure, Director, European Court of Auditors
Difficulty to make clear distinction between inputs and outputs.

Assessment of risks (fiducial, developmental, reputational) is key.

If the revolution in Tunisia would have happened before the end of the evaluation, would it have changed the methodological approach and the findings?

- Antonie de Kemp

Counterfactual: if you want to address attribution problem in step 1, there are two main options:

1. Comparison with other countries, such as cross country regression
2. Simulation models such as computable generalized equilibrium models.

In Step II a counterfactual is often less problematic. There one can use a regression approach, exploiting the heterogeneity in the implementation of government programs (such as differences in pupil teacher ratios in schools or differences in health facilities by district).

However, several problems may persist in terms of:

- Selection bias: the intervention and the dependent variable may be correlated with the same unobserved third variable. This shortcoming, emanating from the neglect of unobserved variables, could be addressed through the application of different kinds of regression analysis such as fixed-effects regression (eg. focuses on changes within groups rather than on a comparison between groups).
- Reverse causality problems (the dependent variable has an impact on the instrument, for instance: countries get aid because of low economic growth).

In any case, it is important to start with a clear theoretical model, and then test the hypotheses within such theory. The problem of reverse causality might persist but it could be addressed through different tools and techniques (using time lags and instrumental variables).

- Stephan Leiderer:

On the counterfactual and the burden of proof, it is worth clarifying that reference was made to the political debate and not to the process.

Project is not the only counterfactual to BS: depending on the individual evaluation questions, there might be other funding modalities and different counterfactuals.

The purpose of such kind of exercises is not to measure BS effectiveness against project approach effectiveness.

➤ Enzo Caputo

The attribution issue is rather complex and it is not specific to this evaluation methodological approach.

With this evaluation methodology, we have tried to address the attribution problem, especially in Step 2. The distinction between aid evaluation in Step 1 and policy evaluation in Step 2 has allowed the three teams to integrate impact assessment in the whole step 2, using different methods. You can build a counterfactual through a real sample (difference in difference), a simulation (modelisation), a cross-country analysis, the introduction of different variables to measure the correlation (positive/negative on the effects) with the targeted outcomes. All such methods have been used according to the context and the availability of data. The 3 Step approach helps to integrate the most updated methods for policy assessment.

Concerning the timing of the Evaluation in Tunisia, the final report was submitted in December 2010 (under the old government) and was presented in April 2011 to an audience completely new of government and CS representatives. The new audience appreciated a lot the work very much as it pointed to the weakness that proved to be of importance in the government changes.

➤ James Bianco, DFID

Step 3 is the most interesting area but there was not enough time during the workshop to go deeper into it. Any examples on step 3?

III. Practical experiences of the process of the pilot cases and how to improve the effectiveness and efficiency of budget support evaluations:

PPT Camilla Valmarana (see Annex 5)

PPT Martin Van der Linde (see Annex 6)

□ Q&A session on how to improve the methodological approach:

➤ Enzo Caputo

Two key issues need to be taken into consideration in order to improve the methodological approach:

1. Better records of both financial and non-financial inputs are needed, including policy dialogue and technical assistance.
2. Building a country level independent capacity for policy assessment is needed: this should be done empowering research institutes, and other non-governmental actors, with international support.

Improved records on policy dialogue and capacity building measures are required.

➤ Riitta Oksanen

Agrees with importance of evaluation capacity development. The Government needs to have the capacity to demand evaluations. Universities, organizations, research institutes and consultants need capacity to supply evaluations.

It is important to start planning the BS evaluations thinking about the use of the results: What are the policy processes in partner countries and in donor agencies that use the results? Do we need comprehensive results and how can one make more use of the results?

The timing of the evaluation is key in order to integrate the results in the policy framework at the right moment (for instance at the time of the elaboration of the MoU)

➤ Rolf Boehnke, AGEG

Will the EC install from the very beginning of the programme a M&E system?

➤ Dominique de Crombrughe, Special Evaluator, Ministry of Foreign Affairs, Belgium

A key issue to take into consideration when evaluating budget support is the fungibility of funds. Therefore, in phase 1, evaluators should look at evolutions in budgetary allocations over the period during which budget support is received, with special attention to security and army funding.

➤ Juergen Lovasz

A key issue is how to make more concrete use of evaluation results. Our political leaders and management need to be closely informed on the results and should make use of them. Although it is desirable to carry out evaluations in a large number of BS receiving countries, in order to assist partner countries to improve result oriented government reforms and budgetary process and allocations, and donors to improve the provision of value added to country processes, at the moment the EC provides BS to about 75 countries, and with existing resources it is not possible to evaluate all countries within the normal time frame of 5 to 7 years. Only very few donors have indicated their possibility to lead BS evaluations, and also the EC has only very limited capacities in this respect (presently the EC may lead no more than 3 to 4 BS evaluations per year).

➤ Patrick Donkor

Problems with objectives and performance indicators. How can the evaluation make a proper assessment if information on objectives and indicators is not available?

➤ Antonie de Kemp

Budget support is the only aid modality that (by definition) should not raise fungibility "issues", as BS becomes part of the overall government budget (in the case of project aid governments may decide to devote less resources to a sector where donors invest a lot through projects)

On the issue of objectives and performance indicators, in the end the Zambia evaluation team got the information that was needed.

➤ Stephan Leiderer:

The definition of BS objectives is indeed an issue. In Zambia, for instance, the intervention logic had to be reconstructed as it was not made explicit in donor programme documents.

➤ Rolf Boehnke, AGEG

What is the exit strategy in the context of BS?

➤ Karel Cools, Ministry of Foreign Affairs, Belgium

The methodological approach does not facilitate evidence based decision making on when to end the BS or even when to start an exit strategy.

➤ Chief Economist MoF in Zambia,

Clarification on the misappropriation of funds in Zambia

➤ Martin Van der Linde

Effective use of the evaluation results can be promoted by addressing specific questions and concerns of the users in the EQs.

The fungibility issue is not explicitly addressed in the BS evaluation approach, but in Zambia an analysis has been made of the purposes for which the Government has used the additional budgetary resources since the start of the budget support.

The identification of the risks of BS is particularly an issue to be addressed at the time of formulating and approving the funding of a BS programme. In the context of a BS evaluation, the question could, therefore, be raised to what extent the risks have been properly assessed before the start of the BS programme.

➤ Camilla Valmarana

Increased harmonization among donors (shared overall and specific objectives of the BS programmes, common agreed indicators, etc.) would indeed allow to enhance the efficiency of evaluations.

IV. Panel discussion: how can Governments, Development Partners, Oversight Bodies and Non State Actors contribute to more effective and efficient budget support evaluations?

Panelists:

Antonie de Kemp, Ministry of Foreign Affairs, The Netherlands

Megan Grace Kennedy-Chouane, Policy Analyst, OECD/DAC

Catherine Ollier, Oxfam International

Servacius Likwelile, Deputy Permanent Secretary; Tanzania

Juergen Lovasz, Evaluation Unit, European Commission

Topics for Discussion:

1. What are your thoughts on the "3 Step methodological approach" suggested by the OECD/DAC Steering Group: What are its advantages and disadvantages?
2. What are the main 'bottle necks' according to your experience as regards the provision of required material inputs to evaluations (such as data collection and development, a documented policy dialogue, the provision of different types of studies and surveys)?
3. Where do you think a/your government, donor agency, NSA, control bodies could make a contribution to the improvement of the efficiency and quality of the (joint) evaluations and the process leading to the actual evaluation? Suggestions for improvements should not only be related to the different phases (preparation, implementation, dissemination, follow up of recommendations) of the actual evaluations, but also to the different phases of a BS operation being subject of the evaluation, during which policy dialogue takes place and can be documented, data can be collected and assessed, surveys can be carried out, etc.
4. Besides the provision of funds, Policy Dialogue can be considered as core element of BS operations and the results/influence on policy reforms needs to be demonstrated and documented. Is this core element functioning well at domestic level, between country actors and donors and between donors, and what has to be done in order to provide the required information at the time a BS evaluation takes place?

5. Should BS programmes foresee extended Technical Assistance and capacity building measures in order to help prepare inputs for evaluations, such as improving records for Step 1 and strengthening the independent surveys and policy assessments for Step 2?

Panelists' position on topics 1-3:

➤ Megan Grace Kennedy-Chouane

This methodological approach is giving us information that is needed, useful and in high demand. We must remember the overall purpose of this exercise - to provide better information that will improve the effectiveness of development programmes - and avoid becoming obsessed with perfecting the methodological approach to the point that we lose sight of the value-added of it.

The methodology can be improved but it is "good enough" and we should move forward with producing and using evidence on budget support to inform decision making. .

➤ Catherine Ollier, Oxfam International

There is a lack of involvement of civil society in the evaluation methodological approach

➤ Servacius Likwelile, Deputy Permanent Secretary; Ministry of Finance, Tanzania.

The methodological approach is very important. The main element is the induced output. It is important not to look at GBS as an easy target.

➤ Juergen Lovasz, EC

Based on the existing methodological approach we will now have to adapt the process of evaluations that allows us to work more efficiently and effectively. Thus, a more integrated approach of BS evaluations may be chosen. This implies that the planning of BS evaluations would be included in the design of BS programmes, i.e. Financing Agreements and Memoranda of Understanding should include provisions on when and how BS evaluations should take place and about the setting up of a proper monitoring and data collection systems (including household and other required surveys) that should supply the needed data and information for the budget support evaluation. Such a method of working may allow to increase the number of annual evaluations, but it requires indeed considerable changes in the working of donors and governments.

It is important to continue working on this path.

We have now a good instrument in place, but of course there is room for improvement.

We need now to think how to use the results and how to improve our programme design.

➤ Antonie de Kemp

The methodological approach is not the main challenge although it is very important. The main challenge is a lack of coordination: there has been a gradual shift from projects to programme, then to SWAp and then to SBS.

This created the need for joint evaluations.

There are quite a number of evaluations at the moment but there is no coordination between them and more of them should be carried out jointly

This means that consultants are asking the same questions again and again.

Less evaluations but better joint coordinated evaluations.

In BS evaluation, we evaluate also government policy and money, which means that involvement of the recipient country in the evaluation is imperative.

A way to improve evaluations' coordination and harmonization would be the creation of a Joint Evaluation Secretariat in the partner country

Such a secretariat could get support from an evaluation officer of the MoF of the partner country, as well as an evaluation officer from one (!) of the donors. Having in the secretariat a coordinating person from one of the donors would facilitate harmonization between donors, especially in terms of planning and implementing evaluations. It would help all the stakeholders to better understand the evaluation and to create trust among each others.

Comments of the Audience and reaction of panelists' and evaluators :

➤ Paul Lupunga, Chief economist, MoF of Zambia
Although we fully endorsed the 3 steps methodological approach, it was difficult to understand it at the beginning of the process.
This is a very good study but it is difficult to understand for outside audience.
Can we translate these technical language-steps into something that is easier to understand for politicians?

Need to communicate the 3 step methodological approach in an easier way

➤ Patrick Donkor, Evaluator, National Planning Commission, Ghana
The MoU is a political document. In order to carry out a proper evaluation, this should be included in ToRs to be annexed to the MoU. MoU cannot really specify details for an evaluation.

Evaluation defined in clear ToRs to be annexed to the MoU, which remains a political document

➤ Juergen Lovasz (see PowerPoint in annex 8)
Key issues to take into account in Project Cycle Management in order to improve the whole evaluation process are:

- I. Need for more training of potential BS evaluators as the pool of evaluators is too small..
- II. Need for more donor coordination and coordination with governments to plan and carry out joint evaluations.
- III. Include in MoU/ FA a technical annex with clear provisions related to evaluations (timing, data collection; time of surveys, responsibility to document policy dialogue, etc.)
- IV. Monitor the realisation of these provisions during implementation.
- V. Follow up of recommendations
- VI. Politicians need to make use of the wider results. But get away from the perception that more BS funds means necessarily more leverage. Countries may be more interested in policy dialogue and transfer of know how as value added than in funds.

The value added of BS does not depend necessarily on the size of the funds.

➤ Catherine Ollier
Civil society (CS) has definitely a role to play in the data collection. CS is often not properly informed about evaluations.
There has been certainly improvement in the consultation of CS but not in terms of meaningful involvement, which should be in place in the whole BS process.

Concerning the use of evaluations, results have to be used also at country level

Involvement of Civil Society in elaboration of policies and BS programme implementation including the dissemination of evaluation results to the civil society

➤ Enzo Caputo

In Tunisia, Civil Society Organizations not recognized by the government were not formally involved due to the authoritarian regime. Although it was very difficult to organize meetings with them, however, their point of view have been collected and taken into account

➤ Robert Diarra

C'est très difficile d'engager la société civile. Au Mali, l'élaboration du document de stratégie de la réduction de la pauvreté est un procès participatif, lequel engage aussi des acteurs non étatiques.

La société civile ne peut pas participer à la gestion des flux de AB. Mais c'est très important de l'engager dans l'élaboration des programmes et des documents stratégiques (le programme politiques et ceux financés avec l'AB).

➤ Patrick Donkor

Evaluation is a process, which has a starting point and an end point.

The policy dialogue we are talking about here should be part of the ex-ante evaluation, already in place before the evaluation starts.

When the evaluation starts, it is important to involve the government from the very beginning. Clear indications should be given already at the time of the BS formulation.

Concerning the implementation, clear indications should be given on the activities, on the data collection, on the parties to involve.

Partner countries could even contribute to evaluation questions.

Design and implementation of Joint evaluations with Partner Countries, something that goes beyond mere coordination

➤ Servacius Likwelile

How do we really insolate BS from the other sources?

How do we formulate the national development strategy? How do we involve external stakeholders?

How do we enhance capacity?

It is difficult to understand.

How to strengthen M&E at the national level?

➤ Megan Grace Kennedy-Chouane

There is a continuous ongoing complaint from the evaluation community about the reliability of data, lack of data, lack of solid M&E; poor design, etc.: there must be something wrong with the way we are communicating about this. Something needs to be done to take the discussion outside of evaluation circles and impact programme design and management, ensure evaluation is involved at the outset of the programme. There is real need to reconsider all this.

Evaluations need to be included at the very beginning of the process, already at the time of the MoU.

➤ Antonie de Kemp

It is not true that getting data is the main problem. In many developing countries, availability of data is improving significantly. In Zambia there was a lot of information. Triangulation is a crucial tool to assess the quality of data.

Evaluators should know what kind of methodology and techniques to use with available data.

➤ Martin Pennington, Head of Evaluation Unit, European Commission

The use of evaluations is key to define policy strategies.

Evaluations allow to make evidence-based choices when designing policy strategies.

Joint programming implies joint evaluating.

The first step in this process was to understand how BS evaluation fits into a country evaluation. This allowed learning that BS works better if combined with other financing modalities.

EC strongly supports the need for more coordination.

Communication of the evaluation results is key.

EC would like to work more with MS.

Panelists' position on topics 4-5:

➤ Catherine Ollier

Capacity building measures work more with CS and in a more coordinated way. There are indeed positive examples, for instance in Zambia

➤ Servacius Likwelile

Policy dialogue as a core element in BS

GBS should remain GBS, supporting national efforts and making sure M&E systems are in place

➤ Megan Grace Kennedy-Chouane

Within the OECD DAC Network on Development Evaluation, there is a core group, led by EC, in charge of revising the methodological approach and carrying out several joint evaluations. Members have committed themselves to taking a joint approach and further interest in evaluating budget support should be coordinated with this group.

The ideal would be to receive propositions from partners governments for evaluations that meet their own needs and interests, as well as those of external partners.

Most of the times the aim of the evaluation is to meet agency's needs while it should be much broader.

The DAC is open to receive proposals and suggestions from partner countries to move gradually towards more partner countries led evaluations.

➤ Robert Diarra

Les évaluations conjointes qui impliquent les structures nationales de contrôle ont deux avantages :

I. de partager les résultats de l'évaluation

II. de renforcer les capacités nationales de contrôle

➤ Juergen Lovasz

Policy dialogue is the core element of BS operations It is the 'soft ware' through which it can be shown that BS inputs have contributed to some policy change/ reforms and developmental outcomes and impacts.

Policy dialogue does not start with BS but before. It is also not only related to the relationship government/ donors, but it is rather a domestic process (inclusion of civil society and oversight bodies) in which donors may participate.

Policy dialogue needs to be planned strategically in line with a 'rolling' plan. It covers certain types, levels and actors, a process and content.

An informed and intelligent policy dialogue requires that the adequate expertise is in place.

The EC is presently working on some operational guidelines on policy dialogue that include conceptual elements.

Policy dialogue starts before BS. In order to carry out a meaningful policy dialogue, the right expertise is needed.

V. Concluding Remarks

➤ Klaus Rudischhauser

- **Evaluations are extremely important, considering the amount of public resources we spend on development assistance. There is pressure on effective spending: every euro needs to be well spent!**
- **Evaluations on BS do not start at the end of a process. It is important to start the planning of the programme design. This is of particular importance as presently policy decisions are often taken when evaluation results are not yet available. Thus, evaluations need to be better timed and planned.**
- **BS is not a panacea, but the three pilot evaluations have shown very positive results in so far that evidence is provided that it has made contributions to comprehensive government reforms, in, for example, PFM, Social Services and governance related issues (Decentralization, Public Sector Reforms, Democracy)**
- **There is still room to improve the efficiency and effectiveness of applying the methodological approach by integrating the approach at the very outset of BS operations.**
- **We need more of these evaluations in order to allow for more comprehensive conclusions and to further improve BS operations in the respective countries.**
- **Besides the provision of funds, other related elements, such as capacity building, TA, policy dialogue need to be considered as from the very beginning of a BS operation as well. In this context a division of labour between different donors could take place.**
- **The work so far has been very useful and it is worth continuing investing in it.**

Thanks to the Belgian Ministry of Foreign Affairs, the DAC evaluation Network, the panelists, all the participants, the interpreters and the facilitator.

Main Conclusions

Panel 1-Questions	Main Answers
<p>Considering the results of the 3 pilot evaluations, are there lessons learnt for you in relation to the future utilisation of budget support (and compared to other aid modalities)? What factors (political, institutional, specific country context, programme content, commitment pressure, other) influence decisions to opt for budget support?</p>	<p>The findings of the evaluations have shown that BS has made a contribution to the outcomes and impacts targeted by the BS operations, such as growth, poverty reduction, education, health, etc. There is no evidence that risks have increased and that justify the skepticism towards BS. Thus, despite criticism, it can be expected that BS will continue to be an important aid delivery instrument. However, BS is not a panacea and the basic conditions must be met. In some cases project or programme support may be preferable and lead to BS operations at a later stage.</p>
<p>Do you see budget support solely as a funding instrument or is it also possible to enhance more general reforms with budget support? If so, what are the conditions for the effectiveness of budget support?</p>	<p>It was pointed out that BS and the methodological approach to its evaluation is not limited to the provision of funds which increase fiscal space for partner countries, but that BS is indeed meant to support government reforms in the targeted sectors including PFM. Besides the funds, in particular policy dialogue on government reforms and development performance is of high importance and often complemented by capacity building measures. BS can therefore only be fully effective if the entire package of input provides a real "value added".</p> <p>There was general consensus that policy convergence between the partner government and donors was a precondition for an improvement of aid effectiveness, as well as an increased donor harmonization would lead to such an improvement.</p> <p>Furthermore, the effectiveness of BS can be enhanced when it is integrated in wider cooperation instruments (e.g. Association Agreement) and when it is combined with other aid modalities, in particular capacity building projects/programmes.</p>
<p>What do you think of the general approach for the evaluations of budget support as proposed by the OECD/DAC (i.e. the 3 step approach) and implemented in the three evaluations, i.e.:</p> <ul style="list-style-type: none"> a) Step I: a focus on the causal links between BS inputs and changes in government policies and public financial framework b) Step II: a focus on the results of government interventions that were aided by budget support? c) Step III: look for causal links between budget support funding, dialogue and technical assistance and results of government policies. 	<p>The big merit of the evaluation methodological approach is that it is possible to establish a causal link between BS and the results. Thus, while in the past it was "believed" that BS is making a positive contribution to target outcomes and impacts, now there is "evidence" and factual information that this is the case.</p>
<p>Do you find it useful to extend evaluations of BS to more countries and what should be the objectives of such evaluations?</p>	<p>There was wide agreement that BS evaluations must continue to be carried out in a large number of countries in order to establish wider evidence based lessons on the functioning of BS and the causal links between BS inputs and the desired development outcomes and impacts.</p> <p>BS evaluations need to be carried out jointly and comprise all major donors providing BS in the country under evaluation. . This implies a better coordination between donors and the government. This</p>

	<p>coordination could be developed through the creation of a Joint Evaluation Secretariat in the partner country.</p> <p>Furthermore, country specific evaluations offer a basis to improve the design and implementation of BS operations, in particular as regards the setting of objectives, the formulation and monitoring of performance targets, the process and content of the policy dialogue and any capacity building measures. Finally, the evaluations are policy evaluations that are also of interest and beneficial to the partner countries.</p>
<p>Evaluations have shown that achievements of BS operations improve if donor harmonisation is improved. How do you assess the evolutions at national and international level in this respect?</p>	<p>Although donor coordination and harmonization has improved over the last years, much remains to be done for donors, in particular as regards the setting of objectives, the utilization of indicators within the Performance Assessment Framework and the drawing of conclusions from country developments as related to disbursements and the provision of political messages.</p>

Panel 2-Questions	Main Answers
<p>What are your thoughts on the "3 Step methodological approach" suggested by the OECD/DAC Steering Group: What are its advantages and disadvantages?</p>	<p>There was general agreement that the approach, and in particular the 2nd Step, forces evaluators to take into account all determining factors of outcomes and impacts allowing a comprehensive analysis of the contribution BS is making in this respect. But it was also pointed out that the 3 Step methodological approach is quite complex and not easy to understand. There was a desire to translate the technical language into something easier to understand, in particular for politicians and senior decision makers. Once made more accessible, the challenge will be to communicate this approach as broadly as possible within the development aid community.</p>
<p>What are the main 'bottle necks' according to your experience as regards the provision of required material inputs to evaluations (such as data collection and development, a documented policy dialogue, the provision of different types of studies and surveys)?</p>	<p>There was agreement that the main challenge is no longer related to the methodological approach, but to the inclusion of important elements in the content and process of the BS operations. There must be complete government commitment to fully cooperate as regards BS evaluations, and Memorandums of Understanding and Financing Agreements must include detailed provision on timing, data collection, time of surveys, responsibility to document policy dialogue, etc. The implementation of these agreed measures must be monitored.</p> <p>In addition, a larger pool of evaluators familiar with the 3 Step approach must be developed.</p> <p>Although the lack and readily availability of timely good qualitative data was mentioned as a bottle-neck, it was pointed out by BS evaluators that there have been improvements on data over the last years.</p> <p>It was also pointed out that the involvement of Civil Society in the design and implementation of BS programmes, including the evaluations should be improved to increase the domestic accountability but also to enable Civil Society to contribute to the provision of data and information useful for BS operations and their evaluations. Evaluators confirmed that in some cases governments have problems with the inclusion of Civil Society in the process, in particular when they are express views of opposition parties.</p>
<p>Where do you think a/your government, donor agency, NSA, control bodies could make a contribution to the improvement of the efficiency and quality of the (joint) evaluations and the process leading to the actual evaluation? Suggestions for improvements should not only be related to the different phases (preparation, implementation, dissemination, follow up of recommendations) of the actual evaluations, but also to the different phases of a BS operation being subject of the evaluation, during which policy dialogue takes place and can be documented, data can be collected and assessed, surveys can be carried out, etc.</p>	<p>Country ownership, donor alignment to country systems (based on shared values and objectives) and donor harmonization promise to result in best performing BS operations. Thus, close coordination and cooperation between all parties concerned during the design, implementation and evaluation phase is of high importance. Each body has a responsibility to contribute to the development and provision of data, surveys and studies conducive to the final evaluation. There must be an agreement as from the beginning of a BS operation which body is in charge of which task. Furthermore, the dissemination and follow-up process of evaluation results and recommendations is key in enhancing the concrete use of evaluations. Our political leaders and management need to be closely informed on the results and encouraged to make use of them.</p>
<p>Besides the provision of funds, Policy Dialogue can be considered as core element of BS operations and the results/influence on</p>	<p>The participants confirmed the importance of policy dialogue as core element of BS. But policy dialogue does not start with government - donor relationship but is rather a domestic process, in</p>

<p>policy reforms needs to be demonstrated and documented. Is this core element functioning well at domestic level, between country actors and donors and between donors, and what has to be done in order to provide the required information at the time a BS evaluation takes place?</p>	<p>which donors may participate. The higher such a domestic policy dialogue is developed and the more donors are aligned to this dialogue, the more effective donor assistance promises to be. In addition, participants pointed out that donors may only make a real contribution within the framework of policy dialogue, if donors and partner countries can provide the required expertise. This is in fact a real bottle-neck in many cases.</p> <p>There was agreement that the policy dialogue at the different levels (national and subnational level) and between different actors needs to be well documented and kept over time, preferably in the hand of the partner government. Alternatively, the chair of the donor group on BS could fulfill that function as well.</p>
<p>Should BS programmes foresee extended Technical Assistance and capacity building measures in order to help prepare inputs for evaluations, such as improving records for Step 1 and strengthening the independent surveys and policy assessments for Step 2?</p>	<p>There was agreement that TA and capacity building measures play an important role within BS operations. They may be provided within a BS financing Agreement or through separate operations.</p>

Annexes

Annex 1: List of Participants

Annex 2: Welcome Speech of Paul Magnette, Minister of Public Enterprises, Scientific Policy and Development Cooperation, in charge of Larger Towns Policy

Annex 3: PPT on the 3 step approach, Martin Van der Linde, Ecorys

Annex 4 : PPT on main lessons learned, Camilla Valmarana, DRN

Annex 5 : PPT on How can the effectiveness and efficiency of budget support evaluations be improved?

Annex 6: PPT on How to improve BS evaluations, Martin Van der Linde, Ecorys