

Partnership General Budget Support in Burkina Faso



The Joint Evaluation of General Budget Support 1994-2004

In 2004 a group of 17 donors and 7 partner governments commissioned a joint evaluation of General Budget Support (GBS). Its purpose was:

to assess to what extent and under what circumstances GBS is relevant, efficient and effective for achieving sustainable impacts on poverty reduction and growth.

The outputs of the study are a Synthesis Report, and seven country case studies, for Burkina Faso, Malawi, Mozambique, Nicaragua, Rwanda, Uganda, and Vietnam.

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Background: Aid and Development in Burkina Faso

Burkina Faso is classed among the Least Developed Countries (LDCs). Average per capita GDP during the study period was less than a dollar a day. The government's own targets are less ambitious than the Millennium Development Goals (MDGs), which are considered technically and financially out of reach.

The country is heavily dependent on international aid. As Table 1 shows, official aid flows were 12–15% of gross national income during most of the study period. Official aid makes up about half of total public expenditure.

Origins and Design of PGBS

Early budget support and debt relief

Burkina Faso has received budget support under the structural adjustment programmes agreed with the IMF and World Bank since 1991. During the same period, the EC provided budget support under European Development Fund (EDF) agreements. During 1994 to 1996, Burkina Faso also received significant macroeconomic support to mitigate the CFA franc devaluation shock in 1994. The Netherlands and Switzerland regularly provided macroeconomic support from the mid-1990s.

Burkina Faso was eligible for debt relief under the Heavily Indebted Poor Countries (HIPC) initiative. A first Poverty Reduction Strategy Paper (PRSP) was prepared in 2000, and the HIPC completion point was reached in 2002. HIPC debt relief funds have been made available to the budget in targeted form, from a special account. The PRSP became the main policy basis for aid, and particularly for budget support. The PRSP was revised in 2003, in a process that was more inclusive of local authorities, civil society, the private sector, parliament and donors. PRSP-2 aims at both economic growth and poverty reduction through four pillars: (i) accelerating equitable growth; (ii) access to basic social services and social protection of the poor; (iii) employment and income-generating opportunities for the poor; and (iv) promoting good governance.

Box 1: The conditionality pilot

Towards the mid-1990s, the Strategic Partnership with Africa (SPA) working group on aid effectiveness suggested a number of conditionality reforms.

A pilot on conditionality was conducted in Burkina Faso, to test planned reforms. The main aims of the new conditionality were to improve ownership of reforms, predictability of funding, and coordination and harmonisation of donor support.

Collaborating in the conditionality pilot was an important influence on partnership development in Burkina Faso, and subsequent PGBS design drew strongly on its lessons.

Evolution of PGBS

A key stage was the test of conditionality reforms undertaken between 1997–2000 (see Box 1). At the same time, there was a trend away from free-standing project support towards forms of aid that focused on sectors (or sub-sectors) as a whole. Sector approaches were particularly developed for basic education and health, based on sector strategies drawn up in the late 1990s.

A number of donors then decided to

provide budget support jointly according to the principles of the new conditionality in support of the PRSP. This was covered by a Memorandum of Understanding (MOU): the 2002 Protocol on Joint Budget Support for the PRSP (SBC-CSLP in the French acronym). The World Bank also supported the strategy through a (still-continuing) series of Poverty Reduction Support Credits (PRSCs) which began in 2001. These operations are the first ones to be considered as PGBS in this study. In 2005, the two processes converged. The MOU for Joint Budget Support was replaced by the general framework for budget support for the implementation of the PRSP (known by the French acronym CGAB-CSLP) which now includes all the donors providing budget support.

PGBS Design

The 2002 and 2005 MOUs establish common principles for budget support and aim to harmonise donor approaches. Both leave individual donors with scope to make their own disbursement decisions, but assessments are increasingly based on shared performance reports and reviews. Under the 2005 agreement, the government took the leadership role and internal review mechanisms were greatly improved. There is an agreed annual calendar of joint activities. A joint performance assessment matrix was approved in July 2005.

What is Partnership General Budget Support?

- General Budget Support (GBS) is aid funding to government that is not earmarked to specific projects or expenditure items. It is disbursed through the government's own financial management system. The finance is accompanied by other "inputs": conditions and procedures for dialogue, donor efforts to harmonise their aid and align it with national policies and procedures, and technical assistance and capacity building.
- In the late 1990s "new GBS" or "partnership GBS" (PGBS) emerged as a response to dissatisfaction with earlier aid instruments. "Partnership" is contrasted with the imposed conditionality of the structural adjustment era. PGBS is intended to support partner countries' poverty reduction strategies. By channelling funds through national systems, it also aims to strengthen national planning and implementation capacity, increasing the effectiveness of all public expenditure, including aid.

Approach to the Evaluation

- The evaluation was not intended to compare budget support with sector support or project aid. However, the evaluators found that there is not a sharp distinction between general and sector budget support, that many of the non-financial inputs to PGBS are shared across aid modalities, and that interactions between PGBS and other modalities are important in explaining its effects.
- The evaluation was based on a logical framework: this identified the inputs of PGBS and then traced its various possible effects from inputs to activities to outputs, outcomes and impacts.
- PGBS has been operating for only a few years, and it is often just one among a number of influences on outcomes and impacts. This makes it difficult to be certain about its long-term effects, but medium-term effects are clearer. The study set unusually rigorous standards for an aid evaluation, and applied the same methodology consistently across the seven countries.
- This was an independent evaluation. Its findings and recommendations are those of the evaluation team.

PGBS covers the four main areas of the PRSP, although agreed actions and performance indicators remain more detailed for the social sectors and public finance management (PFM) reform than for the other aspects of the PRSP. There has been a progressive expansion in the reform agenda supported by the WB's PRSCs.

Disbursements

Between 2001 and 2004, Burkina Faso received USD 500m in the form of budget support (see Table 1). This compared with approximately USD 275m of unearmarked support in the previous four years. PGBS now represents more than a

quarter of all official aid. (It is an even higher proportion of the aid that reaches the government directly.)

Box 3: Did PGBS change the level or composition of aid to Burkina Faso?

Budget support took the form of PGBS from 2001 onwards, and has clearly added to the volume of unearmarked financial programme aid. Other indicators are more ambiguous: some donors (e.g. the EC and World Bank) substituted PGBS for project aid, but there was not an overall reduction in the volume of project aid. More specifically, PGBS does not seem to have substituted for on-budget project aid during the period of the study. However, this judgement is made against the background of fluctuations in the trends of both PGBS and on-budget project aid.

PGBS effects on Public Expenditures and Service Delivery

Influence on Public Expenditures
PGBS has to be studied in combination with HIPC since they are highly complementary. Together, HIPC targeted and PGBS untargeted resources, substituting partly for earmarked project resources, have significantly increased the volume of resources for the government budget. (There was also a substantial increase in domestic revenue.)

- Through PGBS there are more external

funds on-budget. Several donors report bringing other aid on-budget as well, but much bilateral aid remains off-budget.

- Predictability of total aid flows has increased only modestly.
- The volume and the share of all resources going to social sectors has increased.
- PGBS lowered transaction costs of using aid and the costs of financing the budget.
- Increase of overall efficiency is difficult to state given weaknesses in the budget system. However, PGBS disbursement rates and the rate of execution of the government budget compare favourably with project absorption rates

Delivery of Public Services

PGBS, together with HIPC, has allowed expansion of supply of basic education, health and rural water supply services. It is not clear how well expansion has targeted the poor. The definition of pro-poor spending is unclear and several prioritisation mechanisms co-exist. Most expansion took place in rural areas where people are generally considered poor, but the picture on qualitative aspects and pro-poor responsiveness is mixed.

- In some cases there is limited uptake of services, as user fees, even when low, remain prohibitive.
- Expansion took place mainly within existing frameworks without institutional reforms to adapt to new scales of activities or the needs of new clients.

PGBS Effects on Poverty and Growth

Macroeconomic Effects

Macroeconomic policy is mainly decided in other contexts, notably within the West African Economic and Monetary Union. The IMF leads macro-economic dialogue. Macro-economic stability preceded PGBS, but PGBS plays an important role in maintaining it.

Poverty Reduction

Despite data deficiencies, there is evidence of progress in income poverty reduction. Welfare indicators constructed for 1998 and 2003 show that poverty declined from 54.6% to 46.4%.

As regards PGBS effects on various dimensions of poverty:

- The overall impact on income poverty is modest and mainly indirect through general economic growth and macro-economic policy.

Box 2: Participants in PGBS

Most of the main donors now provide PGBS to Burkina Faso, although the proportion provided varies greatly from donor to donor.

The first to disburse PGBS were the EC, the Netherlands, Sweden, Switzerland and the WB (from 2001). They were joined by the African Development Bank (AfDB) in 2002 and by France in 2003. Belgium provided PGBS in 2003 but then withdrew. Denmark and Germany did not disburse PGBS during the study period, but are now part of the enlarged budget support group. The IMF's parallel Poverty Reduction and Growth Facility (PRGF) and its associated macro-economic dialogue is also an important part of the framework for PGBS.

Table 1: Partnership General Budget Support and Total Aid in Burkina Faso

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Total ODA (actual) (USDm)	476	519	447	379	429	443	537	441	524	564	672
Total Partnership GBS disbursements (USDm)								82	109	144	165
PGBS as % total ODA (%)								19%	21%	26%	25%
ODA as % GNI (%)	22%	20%	15%	14%	14%	14%	13%	14%	15%	12%	13%

- PGBS has had an impact on poverty reduction relating to living conditions through expansion in the delivery of essential services.
- Impact on empowerment and social inclusion is still not very visible; the processes under way are mostly long-term.

Institutional Effects of PGBS

Planning and Budgeting Systems

PGBS has a strong effect on modernisation of public finance management. Reform efforts, which began long before PGBS was established, were brought together in a Programme for Strengthening Budget Management (PRGB in the French acronym). This became a key element of the budget support agreements.

The PRGB demonstrates the government's commitment to improving the PFM system through which PGBS operates. At the same time PGBS, through all its inputs, strongly supports PRGB implementation.

- The increase in discretionary resources has enhanced ownership.
- The use of government systems and processes linked to the PRGB has improved the overall accountability of public expenditure but effective scope of accountability is still limited and its quality low.
- PFM improvements including capacity building efforts are clear at central level (Ministry of Finance) but less so in line ministries and local government (decentralisation is at an early stage).
- The durability of the reform process is well established although the durability of specific reforms themselves (e.g. programme budgeting, Medium Term Expenditure Framework) is less assured.

Government Capacity and Capacity Building

Capacity in government is generally weak. PGBS has aimed at improved PFM through the PRGB project since its beginning. However, this is insufficient to meet all needs, while the decentralisation process will add new ones.

More generally, capacity building has been addressed through inputs at sectoral level which have generally not fully met government and donors' expectations. Capacity development initiatives appear to have been weakly coordinated, including with regard to sectoral and cross-sectoral issues.

Policies and Policy Processes

The preparation of PRSP-1 was highly centralised but during implementation and the preparation of PRSP-2 more stakeholders were involved. PGBS was a stimulus for this widened participation.

- The process is not yet deep-rooted and many stakeholders outside central government and the donors lack technical competence to fully play their role.

- A combination of factors (including existing policies, such as user charges, patterns of intra-sectoral resource allocations, and weak demand from poorest groups) leads to spending patterns that are not wholly pro-poor in the social sectors.
- There is a need to address these issues more deeply, and also to develop policies for production and growth.

PGBS and Aid Effectiveness

Relevance,

The background to PGBS, with systematic analysis of aid effectiveness in Burkina Faso, and the conditionality pilot (Box 1), ensured that PGBS was a relevant response to perceived weaknesses in aid management.

Harmonisation and Alignment

PGBS has led to a degree of harmonisation and alignment of aid which is hard to envisage under other forms of assistance. This is most visible in PGBS itself, but effects have extended to other forms of aid, notably sector support. Joint financing arrangements through common baskets already existed, but they often used specific procedures. Sector financing now tends to adopt national procedures in the manner of PGBS.

- Cooperation among donors has intensified, with a growing number of donors participating in PGBS (Box 2).
- There is only partial alignment with government planning and budgeting systems as few donors provide rolling multi-annual commitments; this limits predictability.
- PGBS is fully aligned with government implementation systems, but not yet with accountability systems.
- There is also increased coordination for other aid modalities, especially Sector-Wide Approaches (SWAs), among PGBS donors.
- There seems to be little increased coordination with donors outside the PGBS group.

Quality of Partnership

PGBS has evolved from the pilot on conditionality. Since the start of PGBS, **ownership** has increased and dialogue intensified. Government and partners converge on most issues and the partnership has proved attractive for other donors.

Overall, PGBS has had a positive impact on **transaction costs**.

Interaction of aid modalities –

Harmonisation and alignment have increased, although this is somewhat limited to the PGBS donors and, while it covers the whole of their programme, the linkage between their PGBS and sector-focused support is not always well-specified. The role of sector support instruments and their articulation with PGBS is under discussion.

Governance is in the process of being enhanced on PFM and accountability issues. However, transparency and accountability are generally weak, mainly due to weak capacities.

Risks and Unintended Effects of PGBS

Undermining revenue? In practice, PGBS has assisted the strengthening of revenue mobilisation through its support to the PRGB.

Public sector bias? The evaluation found no direct (negative) effect on private investment. Public and private sector issues are part of the first pillar of the PRSP. Privatisation of state-owned enterprises is supported by the IMF and World Bank, but private sector issues for small and medium enterprises and trade are not very well translated into policies and actions. They are addressed by a number of donors through project aid. The revised PRSP pays more attention to issues of production and growth.

Corruption is a hot issue. Burkina Faso has a large number of institutions involved in the fight against corruption but donors consider them ineffective and ask for more political will from the government. Transparency and

Box 4: Cross-cutting issues

Gender, HIV/AIDS, environment, and democracy and human rights are all addressed in the PRSP and hence supported by PGBS.

- **Democracy and human rights** can be considered to be part of good governance, which is directly addressed through PGBS.

The other issues are indirectly touched on through the PRSP.

- **Gender** is dealt with in the PRSP but priority actions lag behind the theoretical analysis and remain mostly limited to classical interventions for girls and women, with little attention to productive services or empowerment. Gender is present in the PGBS joint matrix.
- **HIV/AIDS** takes an important place in the PRSP and the Priority Action Programme (PAP). However, without denying its importance, HIV/AIDS gets disproportionate attention in comparison with other serious diseases. HIV/AIDS is present in the PGBS joint matrix.
- Burkina Faso has had an **environment** strategy focused on desertification since well before PRSP-1. It was added as an element to PRSP-2 as funding activities became difficult outside this framework. The environment is supposed to be taken into account in the strategies for rural development and the private sector, but does not figure in the PGBS matrix.

accountability of PFM is being supported through the PRGB strategy.

Sustainability – Feedback and Learning

Coordination and harmonisation between the government and donors have been strengthened through PGBS, which has raised the policy dialogue to a higher level than that in relation to projects and sector interventions. This has also given it a more integrated and holistic character. Under the new agreement, the cooperation framework has been improved compared with the previous MOU by establishing more balanced rules between the government and the donors and by recognising that leadership belongs to the government.

Feedback loops linked to PGBS implementation are generally in place and

effective through the respective annual reviews, especially as far as public finance management and the macroeconomic level are concerned.

Overall Conclusions

PGBS in Burkina Faso combines two major shifts: development from structural adjustment programmes to general poverty reduction efforts and the gradual evolution from project and programme aid to greater harmonisation and alignment.

There are three particularly positive aspects in the development and influence of PGBS in Burkina Faso:

- The gradual convergence of PGBS donors' approaches which has led to the establishment of a strong partnership.
- The strong complementarity between

HIPC (targeted funding) and PGBS (untargeted funding), which resulted in significantly increased volumes of resources allocated to the social sectors.

- The steady support to reforms in public finance management.

Points of weakness are the lack of significant added value in the policy dialogue with regard to sector policies and institutional reform, and the fact that there appears to be little spill-over to other sectors outside the Ministry of Finance and to other aid modalities.

Future Prospects

There is considerable scope to strengthen PGBS. The study's recommendations relate both to direct strengthening of PGBS and to ways in which PGBS and other modalities could better complement each other.

Recommendations

Design of PGBS

- Donors should make the design of their programmes consistent with the performance assessment system and provide multi-annual funding commitments.
- Review the necessity of targeted modalities for HIPC.

Aid coordination

- Establish an all-inclusive forum embracing all aid modalities and instruments.
- Improve the functioning of the sector and thematic working groups.
- Define sector policies clearly as frameworks for aligning all aid including project aid, and for strengthening PGBS alignment at more operational levels.
- Strengthen coordination in capacity development and inter-sectoral/ sectoral initiatives

Capacity building and decentralisation

- Ensure full alignment of donors' technical assistance and support to PFM reforms behind the PRGB and the emerging strategic framework for PFM reform.
- Widen support to sectoral and decentralised levels.
- Continue to strengthen accountability systems, including the role and capacities of national stakeholders
- Reform/decentralise institutions to cope with a higher level of service delivery and strengthen national monitoring, evaluation and audit institutions.

Policy and strategy

- Improve capacity for poverty analysis and pro-poor orientation of policies and strategies.
- Improve the quality of services; further strengthen budget classification to allow for pro-poor budgeting and expenditure monitoring/tracking.
- Develop a national strategy to promote enterprises, trade and the private sector.

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