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# SYNTHESIS REPORT

## CIDA's Review of Program-Based Approaches

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## List of Acronyms

AAA	Accra Agenda for Action
ADB	Asian Development Bank
AE(A)	Aid Effectiveness (Agenda)
AEAP	Aid Effectiveness Action Plan
(A)PPR	(Annual) Project and Program Report
BRAC	Building Resources Across Communities (Bangladesh)
CEA	Canadian Executing Agency
CIDA	Canadian International Development Agency
CPB	Canadian Partnership Branch (of CIDA)
CPE(s)	Country Program Evaluation(s)
CDPF	Country Development Programming Framework
CSO	Civil Society Organization
DAC	Development Assistance Committee (of the OECD)
DFID	United Kingdom (UK) Department for International Development
DP	Development Partner
DPRO	Direct Poverty Reduction Operation (Ethiopia)
ED	Evaluation Directorate (of CIDA)
EF	Evaluation Framework
EFA	Education for All
GAVI	Global Alliance for Vaccines and Immunisation
GBS	General Budget Support (or: DBS, Direct Budget Support)
Global Fund	Global Fund to Fight AIDS, Tuberculosis, and Malaria
GoB	Government of Bangladesh
GoE	Government of Ethiopia
GoG	Government of Ghana
GoM	Government of Mozambique
GoV	Government of Vietnam
HIPC	Highly Indebted Poor Countries (Initiative)
HLF	High Level Forum
IDD	International Development Department (University of Birmingham)
IDB	Inter-American Development Bank
IEG	Independent Evaluation Group (World Bank)
IFAD	International fund for Agricultural Development
IFIs	International Financial Institutions
IMF	International Monetary Fund
IMG	Independent Monitoring Group (Tanzania)
IPDET	International Program in Development Evaluation Training
LCG	Local Coordination Group (Bangladesh)

LENPA	Learning Network on Program-Based Approaches
MDBS	Multi-Donor Budget Support
MDG(s)	Millennium Development Goal(s)
MGPB	Multilateral and Global Programs Branch (of CIDA)
M&E	monitoring and evaluation
MOPAN	Multilateral Organizations Performance Assessment Network
ODAAA	Official Development Assistance Accountability Act
ODI	Overseas Development Institute (London)
OECD	Organization for Economic Co-operation and Development
OPTS	“Other PBA” disbursement, including technical assistance, support to NGOs, and multilateral partnerships
PAF	Performance Assessment Framework
PARPA	Program for the Reduction of Absolute Poverty (Mozambique)
PARSEP	Programme d'appui aux cadres nationaux de suivi/Évaluation des stratégies de réduction de la pauvreté
PBA(s)	Program-Based Approach(es)
PBS	Protection of Basic Services (Ethiopia)
PD	Paris Declaration on Aid Effectiveness
PEFA	Public Expenditure and Financial Accountability
PF	Pooled Funding
PRSC	Poverty Reduction Support Credit (World Bank program)
PRSP	Poverty Reduction Strategy Paper
PSU	Program Support Unit
SAE	<i>Strengthening Aid Effectiveness</i>
SBS	Sector Budget Support
SPPB	Strategic Policy and Performance Branch, CIDA
SWAp(s)	Sector-Wide Approach(es) - broad joint sectoral investment programs, which may include SBS, PF, OPTS, and project interventions.
TA	Technical Assistance
T&C	Terms and Conditions
TB(S)	Treasury Board (Secretariat)
ToC	Table of Contents
ToRs	Terms of Reference
UNFPA	United Nations Population Fund
WB	World Bank

**NB:** “Program-Based Approaches” in this review include general budget support (GBS), sector budget support (SBS), Pooled Funding arrangements (PF) and other PBA initiatives (OPTS).

## **Executive Summary**

### ***REASONS FOR THE REVIEW***

When the Treasury Board approved the CIDA's Terms and Conditions for the years 2007-2010, it requested that the Agency review its Program-Based Approaches (PBAs), including budget support, and provide a report to the Treasury Board Secretariat (TBS) by March 31, 2010.

The Review also responds to a recommendation in the Fall 2009 Report of the Auditor General, "Strengthening Aid Effectiveness Policy" that the Agency should undertake a comprehensive evaluation of its uses of PBAs. (OAG, 8.40, 2009)

What are PBAs? As defined in the Paris Declaration on Aid Effectiveness (2005), PBAs are a way of engaging in development cooperation, guided by the principle of coordinated support for a locally owned program of development—a national development strategy, a sectoral program, a thematic program or a program of a specific organization. Why PBAs? The international discourse on the effectiveness of development co-operation has pointed to decades of project-based assistance, which have not produced the desired results. New ways of delivering development assistance are needed to make it more effective.

### ***METHODOLOGY***

In response to these requirements, CIDA's Evaluation Directorate prepared an evaluation strategy for the Review consisting of i) designing the methodology and reviewing the international experience of evaluating PBAs; ii) conducting country program evaluations (CPEs) where CIDA invested substantially in PBAs (Ethiopia, Bangladesh, Malawi, Mozambique, and Vietnam), using a common methodology; iii) participating in an OECD-DAC multi-donor evaluation of budget support (to be completed later in 2010); and iv) preparing a Synthesis Report concerning the performance of PBAs. The Honduras Program, part of the original plan for CPEs, was pre-empted by the political crisis in that country during the evaluation. The Synthesis Report also incorporated the Ghana CPE, and CIDA's own internal audit of its management of PBAs, both completed in 2008.

CIDA applied a common methodology to assess its development interventions, using eight performance criteria based on the standard DAC criteria and others specific to CIDA: i) relevance, ii) effectiveness, iii) sustainability, iv) coherence, v) efficiency, vi) principles of the Paris Declaration, vii) cross-cutting issues, and viii) performance management (i.e., results-based management – RBM; and monitoring and evaluation – M&E). A five-point scale was used to assess a sample of development interventions in each country, including a selection of PBAs.

The sample for the five CPEs totalled 118 interventions. These included 36 PBAs in the three modalities: 4 general budget support (GBS); 11 sector budget support (SBS); and 21 Pooled-Funds (PFs) supplemented by major international evaluations such as multi-donor evaluations of GBS in covering several countries; a multi-country, multi-donor review of a large education program; and the evaluation of the implementation of the Paris Declaration. The sample also included 34 Bilateral Directive projects, 29 Bilateral Responsive projects; 11 Canadian Partnership Branch initiatives, and 8 Multilateral specific targeted Initiatives.

## **PBA EXPENDITURES**

During the period 1999-2000 to 2008-2009, CIDA's disbursements for PBAs totalled C\$2,694 million. Of this total, 59% (C\$1,583 million) went to Africa, 10% (C\$275 million) to Asia, 6% (C\$172 million) to the Americas, and 25% (C\$663 million) to Afghanistan/Pakistan and Iraq. Overall, 17% corresponded to general budget support (GBS), 30% to sector budget support (SBS), 32% to Pooled Funds, and 21% to Other PBAs (a category that includes specific projects and technical assistance) The figures show an upward trend since the Agency introduced its SAE Policy in 2002, but the nearly two-thirds of this (\$1.732 billion or 64.3%) was spent in the last three years, 2006-2009, after the Paris Declaration on Aid Effectiveness was endorsed by the Government of Canada in 2005.

In 2007, CIDA reported to the Development Assistance Committee (DAC) of the OECD having invested US\$509.9 million in PBAs, corresponding to 56% of total bilateral investments. This put CIDA above the average level (46%) of those DAC members who provided data for monitoring the Paris Declaration. By comparison, the UK invested 72% on PBAs and the Netherlands 71%. The US, Germany and France invested 37%, 34% and 32% respectively. Multilateral organizations that provided data had an average of 42% of their total investment in PBAs.

## **KEY FINDINGS: COUNTRY PROGRAM EVALUATIONS**

PBAs and the international aid effectiveness agenda have had a strong influence on CIDA's bilateral programming. Managers and staff have consciously reshaped the Agency's approach to bilateral programming. These changes—the closer alignment to national priorities of partner countries as expressed in their Poverty Reduction Strategy Papers (PRSPs) and sector plans, for example, and the related dialogue on sectoral and national strategies, more systematic coordination with other donors, the investment in diverse joint funding schemes with partner countries and other donors, and joint evaluations—embraced not only the newer modalities of PBAs, but also the way CIDA used “traditional” project instruments. Managers of the various programs adopted an approach which took advantage of a mix of delivery modes ensuring their bilateral investments fitted closely with national priorities and complemented national systems.

Although the Agency has been involved in PBAs for last ten years, the scale up has been relatively recent, following the Paris Declaration on Aid Effectiveness in 2005. As such, the Agency's experience with these complex modalities for delivering aid is still new. Many of the 26 PBA initiatives in the 6 countries covered by this Review are still on-going. And while it would be premature to make definitive conclusions about the results being achieved, the early indications are encouraging.

### **Relevance, Results and Sustainability of the Benefits:**

All the different forms of PBAs (GBS, SBS, and Pooled Funding) have been found to be highly relevant to the needs of the partner countries. The objectives of the PBAs examined were well aligned with the partner country's needs and priorities as expressed their PRSPs and sector plans and strategies. They were also consistent with the poverty reduction and sustainable development thrust of Canada's international assistance effort.<sup>1</sup> They are proving to be

<sup>1</sup> To guide the CPEs, the Evaluation Directorate adopted the definition of relevance used by the OECD/DAC in its “Glossary of Key Terms in Evaluation and Results-Based Management,” Paris: OECD, 2002

appropriate instruments for addressing the challenges faced at different levels by developing country partners.

General budget support was closely linked with the PRSPs and national level objectives, while the SBS and Pooled-Funds initiatives were closely aligned to the countries' sector plans and tended to have more close links with poverty reduction. Both allowed CIDA opportunities, in conjunction with other donors, for policy dialogue and discussions with the host countries on substantive issues such as resources, policies and reforms at the different levels. The Agency has used this to advance the mutual interests of the partner countries, Canada and the donor community.

- Different PBA instruments show different strengths. In the case of GBS, besides the added financial resources, contributions through it are allowing CIDA and other donors to influence the shape of needed national-level reforms of governance and financial systems that strengthen public financial management (PFM). This has led to resource allocation shifts towards anti-poverty expenditures. Benefits also include capacity strengthening and enhanced effectiveness of partner country institutions.
- While the primary benefits of GBS to date have been largely intermediate and institutional at the national level, SBS and Pooled-Fund initiatives are proving to be beneficial for poverty reduction at the sub-national and sectoral levels. Through sectoral policies and plans, system-wide improvements at these levels, capacity strengthening of line ministries in learning by doing opportunities for staff of these institutions, there is evidence of poverty is being addressed through service delivery at the level of citizens in areas such as education, health, and food security and agriculture.
- Evident are the synergistic and complementary benefits of combining different types of PBAs, and complementing them with technical assistance and /or traditional projects in specific sectors in certain countries, to yield better results than individual PBAs. An example of this is investments in the education sector in Vietnam.
- On the policy dialogue front, Canada's contribution has enabled it to be at the table and influence the direction and shape of reforms, the design of policies and investments, sometimes more than the weight of Canada's relatively modest financial contribution to the initiatives. In this regard, it is clear that Canada's expertise and ideas are important complements to its financial contribution and highly respected by other donors and by partner countries. PBAs have made this more evident.

While all PBA investments reviewed have been highly relevant to the needs of partner countries, the effectiveness picture varies from one country to the next, and from one type of PBA to the next.

- The results being achieved sometimes fall short of what was planned, partly due to over-ambitious expectations, partly to the scale and complexity of the initiatives, and partly to local capacity constraints, among other things.
- As with project-based modalities, there also continues to be challenges with sustainability of the benefits which is affected by the financial and capacity constraints, the policy environment in the countries, and the reforms needed to improve these aspects. The joint efforts through PBAs are trying to address these aspects, but they are slow moving and require time.
- Despite significant effort and some noticeable achievements, it is often difficult to influence the integration in PBAs of cross cutting issues, such as gender and the environment, which are important aspects for the overall effectiveness of the development investments.

- Finally, and this is specific to PBAs, there is the issue of ensuring that the transaction costs for both the partner countries and the donors are reasonable. The nature of the work with PBAs is different and the level of effort seems to have been under-estimated by the community.

Some of these challenges are not specific to PBAs per se. They are common to other modes of delivery and reflect the nature of development assistance in general.

### **Management and Operational Aspects:**

From a management perspective, Agency managers have made good decisions about when and where to use the different types of PBAs, based on up-front due diligence and risk analysis. For example, GBS was not used in Bangladesh, where the risks of corruption persist at high levels. Managers have also made mid-course adjustments when needed or when the balance of risks turned unfavourable, as in the case with Ethiopia, where GBS was discontinued in favour of other types of PBAs and delivery modes due to concerns about political governance. Where the risks were too high to work directly through the government system, effective use was made of reputable third parties, such as institutions of the multilateral system (the World Bank, regional development banks or UN organizations) and international NGOs to deliver programs. Finally, active participation of CIDA staff in in-country fora and mechanisms, such as local coordination groups and annual joint reviews, allowed for performance monitoring, oversight and the exercise of mutual accountability by the donors and partner countries. These in-country joint mechanisms are different in different settings, some functioning better than others. While these mechanisms may not be functioning at the desired level, they provide opportunities to work together with other donors and the partner countries to make them better.

In short, PBAs are new tools and the story is still unfolding. The analysis suggests things are moving in the right direction. The development results to date from the PBAs examined are of a significant scale and nature. It is doubtful that they could have been accomplished through traditional means of project funding. PBAs complemented by traditional projects likely hold the greatest promise for better development results. Given the complexity of development, including PBAs in the programming toolkit will bring improved results when applied in the proper context and complemented with project funding. We have also seen how small scale initiatives by civil society organizations can serve as valuable 'pilots' that can be scaled up. The challenges associated with poverty reduction are formidable, will take time, and will need all the imagination and tools that can be brought to bear on it. A mix of PBAs and other delivery modes would seem to be the most appropriate strategy to take advantage of their complementarity to optimize the effectiveness of development investments.

### ***FINDINGS: INTERNATIONAL EVALUATION EXPERIENCE***

The findings from our Review are consistent with the findings from other evaluations of the international experience. Key points from those evaluations include the following:

- International experience shows that partner country governments and donors have secured real benefits from the use of PBAs—specifically, via general budget support. This has had significant and positive intermediate effects on the institutional development of central government ministries, especially in improving the allocative and operational efficiency of public expenditures as well as the quality of public financial management. These achievements would not have been possible with other aid modalities. They are due to the

scale of GBS, and to the discretionary resources they provide to support pro-poor expenditures through national budgets.

- Evaluations of GBS consider it to be highly relevant to national plans and priorities, and generally advances national ownership of those priorities. There is evidence, however, that donors' influence has tilted national systems of accountability towards external actors.
- At this relatively early stage in the life of PBAs, the evidence to date does not show, however, that PBAs have yet made a strong and direct contribution to reducing poverty in developing countries. The limited evidence on this issue highlights the potential value of the current OECD-DAC/EuropeAid multi-country comprehensive evaluation of budget support, which aims to assess its outcomes and impact on poverty.
- International evidence on transaction costs is mixed. There are signs that GBS can reduce the costs of implementing national plans, at the expense of heavy demands in the planning and negotiating phases. Other evidence suggests that sectoral programs transfer donors' administration costs to host governments.
- The multi-country evaluation of the multi-donor PBA "Education for All" indicates that such sectoral schemes work well to transfer large amounts of donors' funds to host governments to expand existing systems. Project modalities tend to work in a complementary fashion to support innovation, or to channel resources to marginalized communities.
- The evaluation of the implementation of the Paris Declaration principle of harmonization (i.e. donors' use of common procedures) indicates that the target of providing two-thirds of all aid via PBAs is sensitive and contentious. Many donors face institutional and political obstacles in meeting it, and host countries have raised fundamental concerns about donors' disproportionate influence in policy processes.

### ***CORPORATE CONSIDERATIONS AND RECOMMENDATIONS***

Through this Review and the previous CPEs, a number of areas where the Agency could effect improvements have been identified. These include, for example, the need to: strengthen field presence, re-examine the delegated authority to the field, examine the skills mix of field staff, strengthen cross-Agency coherence in programming, and improve the speed of approvals and inefficiencies in the process. Initiatives are already under way to address these as a result of actions being taken in response to the recommendations made in the individual CPEs, or the Internal Audit of PBAs by CIDA's Chief Audit Executive, or the Fall 2009 Report of the Auditor General. Some of these actions are also reflected in the Agency's Aid Effectiveness Action Plan (shown in Appendix 10), and the Agency's recent Business Modernization Initiative. As a corporate consideration, therefore, recommendations in these areas will not be duplicated in this report. Instead, the recommendations below will focus on areas not previously covered.

#### **Strengthening Performance Management and Monitoring & Evaluation Capacity of Partner Institutions:**

The country program evaluations as well as work from international joint evaluations highlight weaknesses of host countries in performance management, monitoring and evaluation. These functions are important for the provision of information needed by the in-country joint mechanisms for oversight and mutual accountability, such as joint annual reviews, to monitor and assess the progress of development investments, including PBAs. Given the importance of these functions, ways need to be found to strengthen the capacity of public institutions in host countries to better provide the needed information. This is not only a challenge for CIDA but for all the partners, including the host country.

**Recommendation:** It is recommended that CIDA Country Programs work with other development partners in the country to identify ways for strengthening the performance management, monitoring and evaluation capacities of institutions in partner countries as part of their programming strategies.

**Recommendation:** It is also recommended that the monitoring and evaluation components of the Agency's Operational Guide to PBAs be updated to better reflect the joint responsibility and mutual accountability for results achieved in partnership with others.

### **Getting a better handle on transaction costs associated with PBAs:**

In the discussion of efficiency, it became evident that the nature of the work and the level of effort associated with PBAs have changed significantly from traditional projects, and that transaction costs associated with PBAs are a complex and multifaceted issue that needs to be looked at from different perspectives. The international evidence on transaction costs is mixed. There are some indications that transaction costs at CIDA relating to programs with PBAs may be favourable compared to traditional programs, but this bears further analysis.

**Recommendation:** It is recommended that the Agency conduct an analysis of the transaction costs associated with PBAs, looking both at different kinds of PBAs and how costs compare against traditional project programming.

### **PBAs and Cross-Cutting Issues:**

The review of PBAs' performance on cross-cutting issues which are a priority for CIDA shows that they have been barely satisfactory. Despite major efforts, recognition and some noticeable achievements, gender equality and the environment have not been adequately mainstreamed in PBAs.

**Recommendation:** It is recommended that CIDA Programs continue to work with other partners, in the context of their respective country programming, to identify ways of better mainstreaming cross-cutting issues such as gender and environment in PBA programming.

### **Improving the Agency's data on PBAs:**

The definition of PBAs and the quality of CIDA's data, including inconsistent categorization and financial coding of the different types of PBAs; surfaced as an issue in the course of conducting the Review. The need to maintain an up-to-date list of CIDA's PBA portfolio was also seen as helpful for future use, given the materiality of PBAs within the Agency. While the new PBA Policy, with clearer definitions of the types of PBAs, goes a long way in addressing this issue, the complexity of PBAs poses the risk of inconsistent application of the definitions and coding of the financial information across programs

**Recommendation:** It is recommended that the Agency take steps to improve the quality of its data on PBAs, and maintain an up-to-date list of its PBA portfolio.

## Introduction: CIDA's Review of PBAs

To provide reference points for the reader, we begin with a brief recap of CIDA's rationale for investing in PBAs, their different forms, and the results expected of them. We also note caveats to be considered when reading the findings of the Review.

**Why PBAs?** The international discourse on the effectiveness of development co-operation has pointed to decades of project-based assistance which have not produced the desired results. There have certainly been successes at the micro-level, but these have not translated into successes at the higher, more macro-level as expected, commensurate with the cumulative amount of resources invested over these decades.

The criticism of traditional approaches reached a watershed in the 1990s, and in response the OECD/DAC released a statement in 1996, *Shaping the 21<sup>st</sup> Century: The Contribution of Development Co-operation*,<sup>2</sup> which set the terms for the discourse about aid effectiveness, of which PBAs have become an integral part. *Shaping the 21<sup>st</sup> Century*: called for a new approach founded on principles of partnership and using different methods of aid. The DAC also established two major reference points, the *end* and the *means* of development assistance. For the first, it foreshadowed a set of global targets for development cooperation, which have become known as the Millennium Development Goals,<sup>3</sup> adopted in September 2000 by the General Assembly of the United Nations in the United Nations Millennium Declaration. Secondly, it set out operational principles to make aid more effective in realizing those targets. These principles set the stage for PBAs, specified nine years later in the Paris Declaration on Aid Effectiveness.

Anticipating PBAs, and budget-support modalities in particular, it argued that donors could reinforce local ownership by financing "public expenditure through the budget of the developing country."

**What are PBAs?** As defined in the Paris Declaration on Aid Effectiveness, PBAs are a way of engaging in development cooperation, based on the principles of co-ordinated support for a locally owned programme of development— such as a national development strategy, a sector programme, a thematic programme or a programme of a specific organization. Programme based approaches share the following features:

- Leadership by the host country or organisation;
- A single comprehensive programme and budget framework;
- A formalised process for coordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement; and,
- Efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation.

**The Forms of PBAs:** For CIDA, PBAs cover a range of modalities, including general budget support (GBS), sector budget support (SBS), and Pooled Funds, (PF) as outlined below. (Appendix 1 contains the complete definitions.) The key distinguishing features among these are the scale and scope of activities they support, their governance and control mechanisms,

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<sup>2</sup> Paris: OECD, May 1996.

<sup>3</sup> [www.un.org/millenniumgoals](http://www.un.org/millenniumgoals), accessed Jan. 4, 2010

and managerial tools such as Performance Measurement Frameworks with targets and triggers which allow due diligence, policy dialogue and accountability. Thus:

- Through **budget support**, a donor helps to finance the budget of a partner country by transferring funds to the national treasury. The host government then manages these via its standard budgetary procedures. **general budget support (GBS)** is a contribution to the recipient country's overall budget. It includes policy dialogue between donors and the host government, focused on overall policy and budget priorities. **sector budget support (SBS)** is earmarked to a particular sector, with policy dialogue on sectoral issues.
- **Pooled Funds (PF)** are negotiated between donors and the host government, often an account which is separate from a government's budget process. A Pooled Fund includes some donor oversight, as reporting is expected to show how the funds were used.
- **Other PBAs**, refer to projects and technical assistance that may be part of a PBA, marked by efforts to align donors' assistance with recipient country priorities and systems.

The over-arching purpose of PBAs is to reduce poverty. From the outset, PBAs have been seen as vehicles to apply donor funds to support the poverty-reduction strategies of developing countries. In this regard, it is useful to keep in mind the difficult challenges associated with reducing poverty - a complex phenomenon which takes time and depends on a number of other factors besides the financial resources and how it is used: ownership and commitment, the policy environment, the capacity and expertise, administrative systems, etc. And on the route to the destination of poverty reduction, PBAs have been seen as a vehicle to enable the partnership between donors and recipient countries to:

- Improve co-ordination and harmonization among donors, aligning their development actions with partner countries' policies and financial systems;
- Reduce transaction costs—the burden of program planning, implementation and review, especially for host countries;
- Strengthen public financial management in developing countries, and public administration more generally;
- Effect reforms needed for poverty reduction – reforms of different policies and administrative systems at the national and sub-national levels in key sectoral areas such as health and education; and,
- Build the capacity and expertise of the partner country and its institutions through the process of learning by doing together.

Such improvements and reforms (e.g. improving the health or education system in a country) present challenges for even wealthy countries such as Canada or the United States. These challenges are magnified when it comes to low-income countries with limited human resources capacity/expertise, often burdened by debt and heavily dependent on external assistance for their national budget.

Finally, CIDA's experience with PBAs has been relatively recent. Although a few of the initial investments in PBAs started a decade ago, concerted action to finance them is more recent, dating mostly from 2004-05. Thus, PBAs at CIDA have a limited track record.

## 1. CIDA's Review of PBAs: Approach and Methodology

### 1.1 Objectives of the Review of CIDA's Experience with PBAs

This report summarizes CIDA's review of its experience with PBAs. The Report synthesizes the evidence, conclusions and recommendations from evaluations and related studies conducted by CIDA, supplemented with reviews undertaken by the international community.

The overall objective of undertaking this analysis was to review PBAs at CIDA, including budget support, in order to assess their performance. In doing so, the Evaluation Directorate also analyzed alternative delivery systems for development assistance, thus situating PBAs within the different modalities used in CIDA's Country Programs, and examined international experience with PBAs to draw lessons that offer guidance for CIDA.

This report will enable CIDA to meet a request made by the Treasury Board of Canada when it approved CIDA's Umbrella Terms and Conditions on March 22, 2007, viz.: that CIDA Review its program-based approaches, including budget support, and provide a report to Treasury Board Secretariat by March 31, 2010. The report will also respond to a recommendation in the 2009 Report of the Auditor General of Canada (Rec. 8.40, 2009) that CIDA undertake an "extensive evaluation of program-based approaches with a view to determining whether they are achieving the Agency's goals"<sup>4</sup>

#### ***CIDA's Strategy to Review PBAs***

Early in 2008, the Evaluation Directorate developed an evaluation strategy with several components:

- Designing a common evaluation methodology for conducting a number of country program evaluations where CIDA invested substantially in PBAs;
- Reviewing the experience of the international community with evaluations of PBAs. (September-December 2008);
- Applying the methodology to conduct a series of country program evaluations (CPEs) in Ethiopia, Bangladesh, Vietnam, Mozambique, and Malawi (Honduras was originally part of this list, but because of political instability there, the evaluation could not be completed as planned.); and,
- Compilation of the findings in a Synthesis Report for approval and presentation to the Treasury Board Secretariat by March 31, 2010 as required.

In addition to these five evaluations, which used a common methodology, the Synthesis Report also drew on the findings of CIDA's Ghana Program Evaluation, completed in June 2008 and the 2007-09 audit by CIDA's Chief Audit Executive of eleven (11) PBAs in Mali, Zambia, Tanzania, Vietnam and Nicaragua; and ongoing CIDA work with other DAC members in a multi-donor Joint Evaluation of Budget Support, led by the European Commission. Begun in mid-2008, this latter initiative will continue well into 2010. Aspects of this evaluation will be noted in

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<sup>4</sup> 2009 Fall Report of the Auditor General of Canada, Ch. 8, Strengthening Aid Effectiveness—Canadian International Development Agency, [www.oag-bvq.gc.ca/internet/English/parl\\_oag\\_200911\\_08\\_e\\_33209.html](http://www.oag-bvq.gc.ca/internet/English/parl_oag_200911_08_e_33209.html) accessed Nov, 5, 2009. The chapter on CIDA assesses the Agency's implementation of SAE.

the Synthesis Report on PBAs, but the exercise will only be completed after CIDA presents its report to the Treasury Board Secretariat (TBS) in March 2010.

To ensure that the responsible TBS staff members were up to date on the initiative, the Evaluation Directorate met twice with TBS staff (in November 2008 and November 2009) to review the plan and its progress. TBS staff members have in turn endorsed the approach.

## 1.2 Approach and Methodology of the Review of PBAs

The following principles shaped CIDA's approach to evaluating the performance of PBAs:<sup>5</sup>

- The assessment would be comprehensive and comparative, examining PBAs as part of an overall evaluation of a Country Program, including various channels, sectors and modalities.
- The programs evaluated would include countries from different regions (Asia, Africa, and Latin America) with an emphasis on CIDA's priority countries.
- CIDA identified eight performance criteria to be used in assessing PBAs and other components of the Country Programs. These included standard DAC criteria such as: i) relevance, ii) effectiveness, iii) sustainability; iv) coherence, v) the principles of the Paris Declaration on Aid Effectiveness, notably ownership, alignment, and harmonization; vi) efficiency, vii) and cross-cutting issues such as gender equality and the environment viii) Performance management. (See Appendix 2)
- A common evaluation methodology would make the CPEs for Mozambique, Bangladesh, Ethiopia, Malawi, and Vietnam, comparable with one another.
- To take advantage of the experience of the wider international community, the evaluation strategy thus included a review of multi-donor evaluations of budget support, to which CIDA has contributed, as well as evaluations of the implementation of the Paris Declaration. With its own assessment of PBAs completed, CIDA will in turn be able to contribute the results of its Review to the international community.
- The CPEs in this Review have used participatory approaches. Evaluation teams consulted approximately a thousand persons through interviews or roundtables and group meetings. These included CIDA representatives (CIDA staff at headquarters and in the field, and employees of Program Support Units), representatives of Canadian NGOs and Canadian Executing Agencies, government officials and representatives of NGOs in partner countries, and representatives of bilateral agencies or multilateral organizations. About forty workshops or roundtables were held during the evaluation process in the field with beneficiaries, or at the end of the field data gathering visits to share preliminary findings and at headquarters with CIDA staff and Canadian NGOs.

**Sampling:** The comprehensive and comparative approach to CPEs required a sample of development projects and programs in each Country Program, because the scale and scope of Canadian cooperation over a five-year period rendered a review of all initiatives both costly and practically infeasible. Each CPE, therefore, was based on a sample of projects<sup>6</sup> selected to ensure: representativeness; a range of delivery modes (including all types of PBAs as well as project mechanisms); different channels of co-operation; and evaluability.

<sup>5</sup> Appendix 5 summarizes the options that the Evaluation Directorate considered in determining the methodology for this review of PBAs.

<sup>6</sup> The word "project" is used in the generic sense, including all types of development assistance initiatives.

The five CPEs that used a common methodology had a total sample of 118 projects.<sup>7</sup> Appendix 5A shows these by delivery mode and country program. The sample includes 36 PBAs, slightly more than 30% of the total of 118 projects. Of these 36, the 21 Pooled-Funding arrangements are the largest sub-group. This reflects the prominence of PF within CIDA's PBA portfolio, described in Section 2.2. The sample included only 4 GBS initiatives, reflecting the modest profile of this modality in CIDA's portfolio.

The five evaluation teams applied the eight performance criteria to the projects and programs in their sample in the following manner. For each major issue (such as relevance or effectiveness), CIDA identified three or more sub-criteria. Using these, the teams ranked each project against each major criterion on a five-point scale, from "Very Unsatisfactory" to "Highly Satisfactory". Appendices 3 and 4 show the main components of this framework.

**Data sources for the CPEs** included program and project documents such as program and policy frameworks, proposals and approval documents, and monitoring reports and evaluations. All financial information related to CIDA projects and programs was provided by CIDA's Chief Financial Officer (CFO) Branch. Studies undertaken by other donors or the DAC, augmented the bank of documentary data. Group and individual interviews with program participants and stakeholders supplemented these sources, together with some field visits to project sites.

### 1.3 CPEs: Limitations and Compensating Factors

Three limitations of the CPEs are noted here. For each, compensating factors apply.

First, the CPEs relied on secondary data, in the form of documentary records of their design and implementation, and of the related functions of monitoring, evaluation, and reporting. The CPEs are thus based upon information generated by the implementing organizations responsible for the different projects and programs—government ministries and agencies, multilaterals, Canadian Executing Agencies, Northern or Southern NGOs, and so on. This is a common and accepted approach for program evaluations organized by CIDA and by other development organizations, given the high cost of verifying the validity of existing data, or of generating entirely new data. In these CPEs, two compensating factors are relevant:

- Interviews with a wide range of participants and other stakeholders offer a means of identifying major problems and their influence on the reported results of PBAs.
- Studies by other agencies allow CIDA to check its findings against those of peers. Examples include multi-donor studies of budget support, which are both wider in their sample and more focused in their subject than a CPE.<sup>8</sup>

The second issue relates to the comparability across the CPEs. Five of the six CPEs that informed this Synthesis Report used the same methodology, Ghana being the exception. The

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<sup>7</sup> The total sample of the six CPEs, including that of Ghana, was substantially expanded by the sample of the Ghana evaluation. It included 25 Bilateral and regional projects, 21 projects funded by CIDA's Canadian Partnership Branch, and two projects funded by the Multilateral Programs Branch, for a total of 48. The Ghana Bilateral projects included three PBAs, both GBS and SBS. The aggregate sample for all CPEs was thus 166 projects.

<sup>8</sup> These studies also rely heavily on quantitative data supplied by central and line ministries of host governments, as well as data of multilateral agencies such as the World Bank. These sources in turn are supplemented by interviews.

country settings are diverse, as are the CIDA programs being evaluated. Different consultant teams carried out the CPEs. The compensating factors, which support comparability, are these:

- The methodology is based on an approach used successfully for many years by other agencies, notably the World Bank in its annual performance assessment.
- The intent in using ratings is to show tendencies, rather than precise comparative measures within or between programs. The assessments of projects within a given country program thus informed an evaluation of the program as a whole.

Third, CIDA's own data presented problems for the evaluations. All the CPEs highlighted the difficulty that the evaluators encountered in using CIDA's data on PBAs, and on country programs more generally. From the CPEs, there appear to be several issues affecting the reliability of the Agency's data on PBAs and other programming instruments. These are:

- The complex set of delivery mechanisms and channels that CIDA has for managing its development cooperation. Within CIDA's overall categorization, PBAs are one of several "investment types", and include four different modalities or "delivery mechanisms".
- This classification gave rise to a second problem within the CPEs: lack of clarity in the definition for these types of PBA, and the application of this definition consistently in the coding and capture of the financial information.

To compensate for these difficulties, first, the Evaluation Directorate simplified CIDA's categorization of delivery mechanisms and channels. A final feature of this Review—less a limitation than a key part of its profile—is that the CPEs have not considered PBAs in fragile states, countries in crisis, or countries where CIDA has a modest presence. Readers should note that Malawi, now a country of modest presence, was a country of focus for most of the period under review.

## 2. CIDA's Experience with PBAs

### 2.1 CIDA Policy and Guidelines, and the International Setting

The policy context for CIDA's engagement with PBAs includes both Canadian and international policy statements, notably by the Development Assistance Committee of the OECD.

#### ***Shaping the 21<sup>st</sup> Century: Shaping Donors' Policy on Aid Effectiveness and PBAs***

The point of departure is the 1996 statement from the OECD-DAC, *Shaping the 21<sup>st</sup> Century: The Contribution of Development Co-operation*.<sup>9</sup> With this short document the DAC set the terms for the debate about aid effectiveness, of which PBAs have become an integral part. The DAC established two major reference points, both the *end* and the *means* of development assistance. For the first, it foreshadowed the Millennium Development Goals (MDGs) as a set of global targets for development cooperation. Secondly, it set out operational principles to make aid more effective in realizing those targets. These principles set the stage for PBAs, specified nine years later in the Paris Declaration, which built on the 2002 Monterey Consensus on Financing for Development and the 2003 Rome Declaration on Harmonization.

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<sup>9</sup> Paris: OECD, May 1996.

Anticipating PBAs, and budget-support modalities in particular, it argued that donors could reinforce local ownership by financing “public expenditure through the budget of the developing country.”

### ***The Millennium Development Goals (MDGs)***

In September 2000, the General Assembly of the United Nations adopted the United Nations Millennium Declaration, whose targets have become known as the Millennium Development Goals.<sup>10</sup>

### ***“Strengthening Aid Effectiveness”: CIDA’s First Policy Statement on PBAs***

CIDA set out its own policy on aid effectiveness in September 2002, issuing *Canada Making a Difference in the World: A Policy Statement on Strengthening Aid Effectiveness* (known as and referred to here as *SAE*).<sup>11</sup> With this statement the Agency placed itself within the international policy discourse, applying its principles to Canada’s development assistance program. *SAE* built on the two antecedents above, citing an international consensus on the MDGs as the goals of development cooperation, and on five “principles of effective development”:

- **Local ownership**, i.e., development strategies owned by the governments and people of recipient countries and reflecting their priorities;
- **Improved donor coordination**, with developing countries co-ordinating their cooperation with other countries and institutions;
- **Stronger partnerships**, with compacts spelling out the parties’ roles and responsibilities;
- **A results-based approach** with better monitoring and evaluation; and,
- **Greater coherence** in donors’ non-aid policies, such as trade and investment.

To complement these operational principles, *SAE* identified three other factors enhancing the effectiveness of aid investments: good governance, capacity building, and engaging civil society.<sup>12</sup> The statement then linked all these principles to a different programming strategy—that is, to PBAs in the making. *SAE* recognized “a growing shift from traditional project-based approaches towards more programmatic forms of development cooperation.”

To guide CIDA, *SAE* identified two key programming instruments which embodied this new approach. One was the Poverty Reduction Strategy Paper (the PRSP), intended to be a “locally owned national poverty reduction plan.” Supporting PRSPs were Sector-Wide Approaches (SWAs), coordinated strategic investments by donors and host governments in a sector such as health or education.

*SAE* enabled CIDA to engage with PBAs in the years that followed, up to the present. With differing emphases and levels of detail, the themes articulated in these early documents found expression in later international policy statements, notably the Rome Declaration on Harmonization in 2003, the Paris Declaration on Aid Effectiveness of March 2005, and the Accra Agenda for Action, signed in September 2008. CIDA’s July 2009 “Policy on Program-Based Approaches,” is the most recent marker in this evolving policy framework.

<sup>10</sup> [www.un.org/millenniumgoals](http://www.un.org/millenniumgoals), accessed Jan. 4, 2010

<sup>11</sup> CIDA, *Canada Making a Difference in the World: A Policy Statement on Strengthening Aid Effectiveness* (Hull, Qué., September 2002).

<sup>12</sup> *SAE*, pp. 4-5.

### ***The Rome Declaration on Harmonization, 2003***

A High Level Forum on Harmonization held in Rome in February 2003 brought together 28 recipient countries and more than 40 multilateral and bilateral development agencies. The resulting Rome Declaration on Harmonization<sup>13</sup> acknowledged the costly inefficiencies of donors' diverse procedures for preparing, delivering and monitoring aid, as well as partner countries' concerns that donor practices often do not fit with national development priorities and systems. The signatories of the Rome Declaration thus committed to align development assistance to partner countries' priorities, and to simplify and build common procedures among donors. Actions to follow included budget, sector or balance-of-payments support, aligned with national budget cycles and poverty reduction strategies. The Declaration also encouraged partner countries to negotiate action plans for harmonization with the donor community and emphasized the need to maintain peer pressure to implement commitments on harmonization.

### ***The Paris Declaration on Aid Effectiveness, 2005***

Canada endorsed the Paris Declaration (PD) in 2005, as one of 93 participating countries (both donors and Southern governments) and 42 organizations. Taking the MDGs as its end purpose, the Declaration elaborated the principles espoused by *Shaping the 21<sup>st</sup> Century* and *SAE*. It thus established what became known as the Aid Effectiveness Agenda, within which PBAs are the characteristic method of programming. By endorsing the Declaration, CIDA and other signatories formally adopted PBAs as a primary vehicle for development assistance.

The Paris Declaration specified five core principles, which it described as “partnership commitments” to be adapted to countries' circumstances. Each commitment specified sub-principles, and the signatory countries identified 12 indicators against which to measure progress by 2010. The core principles were:

- **Ownership:** Partner countries would exercise leadership over their development policies and strategies, and coordinate development initiatives;
- **Alignment:** Donors would base their support on partners' national development strategies, institutions and procedures;
- **Harmonization:** Donors' actions would be coordinated, with agencies using common and simplified procedures, and working towards a division of labour;
- **Managing for results:** Decision-making on resources would be guided by results, with donors using partners' reporting and monitoring frameworks where possible; and,
- **Mutual accountability:** Donors and partners would share accountability for results.

The Paris Declaration presented PBAs as an operational way of knitting these principles together. PBAs are a critical part of harmonization and alignment—a means for donors to use common arrangements to support development plans designed and implemented by partner governments. PBAs would thus respect local ownership of development agendas, harmonize donors' responses, and reinforce national financial, management and monitoring systems. An appendix defined PBAs as “a way of engaging in development cooperation based on the principles of coordinated support for a locally owned program of development, such as a

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<sup>13</sup> “Rome Declaration on Harmonisation,” in OECD, *Harmonising Donor Practices for Effective Aid Delivery*, DAC Guidelines and Reference Series, (Paris: OECD, 2003), pp. 10-12. The Rome Declaration in turn acknowledged its continuity with the March 2002 “Monterrey Consensus” on financing international development. (p. 10).

national development strategy, a sector program, a thematic program or a program of a specific organization.” The PD identified the four features common to PBAs:

- i) Leadership by the host country or organization;
- ii) A single comprehensive program and budget framework;
- iii) A formalized process for donor coordination and harmonization of donor procedures for reporting, budgeting, financial management and procurement; and,
- iv) Efforts to increase the use of local systems for program design and implementation, financial management, and monitoring and evaluation.<sup>14</sup>

This definition of PBAs has remained the working definition for CIDA since 2005.<sup>15</sup> In making their commitment to use PBAs to advance harmonization and alignment, CIDA and other signatories also adopted a target for progress by 2010. This was Indicator 9 (of 12) listed in Section III of the Paris Declaration: “66% of aid flows are provided in the context of programme-based approaches.” To our knowledge, Canada is the only country in the world to include the principles of the Paris Declaration in its legislation—as noted in Section 1.1, the ODA Accountability Act.

### ***The Accra Agenda for Action, 2008***

The Third High-Level Forum (HLF) on Aid Effectiveness, held in Accra, Ghana in September 2008, aimed to accelerate the implementation of the PD. The statement from that Forum, the Accra Agenda for Action (AAA), reflected debates about the Aid Effectiveness Agenda within the wider development community, notably civil society organizations’ engagement with that Agenda. In a complementary manner, the AAA acknowledged the presence of a wider set of development actors—middle-income countries, south-south cooperation, global philanthropic funds, and private-sector firms.

Within the AAA, the conception of PBAs remains unchanged, and the statement reaffirms the PD commitment to harmonize donor assistance, and to align it with developing country systems as much as possible. Donors also restated their Paris commitment to provide 66% of aid through PBAs, and to channel at least 50% of government-to-government assistance through country financial systems.

The AAA specifically acknowledged CSOs as independent development actors in their own right, and committed to a deeper engagement with civil society on aid and development effectiveness. It is notable, finally, that Canada, through CIDA, played a major part in the Accra Agenda—in its planning, and within that especially the engagement of civil society actors and issues; and in the formulation and adoption of the AAA at the HLF. Beyond its formal endorsement, CIDA’s leadership on the AAA has created an obligation to maintain its profile within the international community.

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<sup>14</sup> Paris Declaration, Appendix A, p. 11.

<sup>15</sup> Appendix 1 presents these definitions of PBAs and their modalities. The definition here is taken from OECD/DAC, *Harmonising Donor Practices for Effective Aid Delivery, Vol. II* (Paris: OECD, 2006), p. 37. CIDA not only adopted this definition, but also contributed substantially to this conception of PBAs. The term “PBA” originated with LENPA, the Learning Network on Program-Based Approaches, which organized a 2002 conference on risk and accountability hosted by CIDA. LENPA in turn drew upon the work of CIDA staff to elaborate the core elements of PBAs.

## **CIDA's Policy on Program-Based Approaches, 2009**

In July 2009, CIDA issued its current "*Policy on Program-Based Approaches*". This statement draws on international policy discourse as well as CIDA's own history with PBAs, building particularly on "CIDA's Operational Guide to Program-based Approaches".<sup>16</sup> Completed late in 2007, the Guide summarizes the thinking behind PBAs as a mechanism for delivering aid, and details the operational steps for CIDA staff to follow in assessing fiduciary risk and national capacity, selecting funding modalities, negotiating joint financing arrangements, securing approval, and finally implementing a PBA.

The 2009 Policy summarizes the formative international policy statements, both the MDGs and the Paris Declaration and the Accra Agenda. It adopts the defining principles of PBAs used by the DAC and the Paris Declaration. The Policy notes the different modalities of PBAs—sectoral and general budget support, pooled funding, and project funding. It also identifies the conditions under which a PBA will be used, including the conditions for budget support. The policy affirms CIDA's commitment to use PBAs "where the basic preconditions and opportunities exist for their effective use." PBAs will be managed "as part of a balanced portfolio of aid modalities."

### **Assessing the basic preconditions and opportunities for PBAs**

CIDA's country program teams will determine:

- the ability or willingness of the country to engage in more inclusive harmonized approaches;
- the existence of partnership with other donors; the capacity of the country or organization to deliver results;
- the presence of effective mechanisms for management and reporting.

Beyond such preconditions, CIDA seeks evidence of a satisfactory performance measurement framework for a national or sectoral strategy; an institutional environment allowing more use of local systems, including more accountability to local constituencies; and positive trends in transparency, the promotion of human rights and inclusive political participation.

CIDA will consider budget support if the country has a viable macro-economic and fiscal framework assessed by the IMF and/or the World Bank; a Medium-Term Expenditure Framework (MTEF) endorsed by the donor community, linking expenditures to poverty reduction; a genuine partnership among the government, donors, and other stakeholders; a public financial system meeting CIDA's Policy on Fiduciary Risk; and satisfactory institutional capacity.

Lastly, the policy summarizes the parameters of accountability and reporting. CIDA's support to a PBA will be managed within a framework of roles and responsibilities negotiated between the Agency and the participating country organizations. The partner government is responsible for planning, implementing and monitoring the activities and results of the program, within its national development strategy; donors and the partner government share accountability for the achievement of results. CIDA will track and report on the financial resources and policy dialogue it commits to a PBA, as well as the results achieved by the PBA. Whenever possible, finally, audits and evaluation of country programs will be managed by the host government, to enhance local ownership and accountability.

<sup>16</sup> CIDA, Policy Branch (Gatineau, Nov. 2007).

## **CIDA's Aid Effectiveness Action Plan (2009-2012)**

In its complementary "Aid Effectiveness Action Plan (2009-2012)", also released in 2009, CIDA followed the direction of the AAA by adopting objectives to advance alignment of its assistance with partner country needs.: First, CIDA would continue to align its country program strategies with local *priorities*. Secondly, the Agency would align its assistance with national *systems* by channelling "at least 50% of funding to the government sector through country systems."<sup>17</sup> In this respect the Action Plan is consistent with the collective commitments made at Accra. It is also consistent with the recommendations of the 2009 Report of the Auditor General of Canada, that CIDA should set clear performance targets on how much of its aid should be delivered through PBAs.<sup>18</sup>

## **2.2 CIDA's Investment in PBAs**

CIDA has made important investments in PBAs in all categories of countries. Between 1999-2000 and 2008-2009, CIDA disbursed \$1.8 billion in its countries of focus (including low and middle income countries), \$661 million dollars in fragile states and in crisis-affected communities (Afghanistan, Haiti, Sudan), and \$398 million dollars in countries of modest presence. (See Appendix 5C)

CIDA has made a substantial investment in PBAs, especially since the release of *SAE* in fiscal year 2002-2003. Table 2 below shows the overall scale of CIDA's commitment, as well as disbursements by the different types of PBAs. The scale of CIDA's investment is evident, with almost \$2.7 billion disbursed (of a total commitment of \$4.93 billion) in the ten-year period from 1999-2000 to 2008-2009. The proportionate weight of this commitment to PBAs, expressed as a percentage of the overall program disbursements by CIDA's geographic branches, is also evident

The sharp ramping-up of disbursements via PBAs is visually apparent in Table 1. Of the \$2.693 billion spent between 1999-2000 and 2008-2009, nearly two-thirds (\$1.732 billion, or 64.3%) was spent in the last three years, 2006-2009. We can identify three periods within this decade:

- Phase I: 1999 to 2001-2002 were years of exploration.
- Phase II: 2002-2003 to 2005-2006 saw the adoption and follow-up to *SAE*, including the endorsement of the Paris Declaration.
- Phase III; The third period, 2006-2007 to 2008-2009, follows the PD and shows rapid growth in the volume of CIDA's development assistance delivered through PBAs.

<sup>17</sup> CIDA, "Aid Effectiveness Action Plan (2009-2012)," Gatineau, 2009.

<sup>18</sup> 2009 Fall Report of the Auditor General of Canada, Ch. 8, Strengthening Aid Effectiveness—Canadian International Development Agency, [www.oag-bvg.gc.ca/internet/English/parl\\_oag\\_200911\\_08\\_e\\_33209.html](http://www.oag-bvg.gc.ca/internet/English/parl_oag_200911_08_e_33209.html) accessed Nov, 5, 2009. The chapter on CIDA assesses the Agency's implementation of *SAE*. The Office of the Auditor General shared its review with CIDA's senior management in mid-2009, enabling management to state its response (including the new policy statement) before the Fall Report of the Auditor General in November 2009.

**Table 1 – CIDA's Total Annual Disbursements by PBAs (\$ millions)**

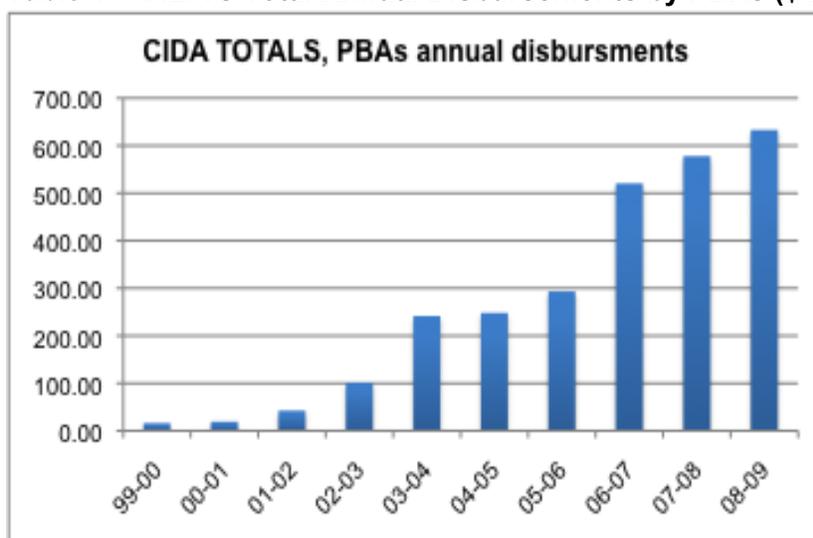


Table 2 shows the shares of different PBA *modes* within CIDA's disbursements. GBS has the lowest total of budgets disbursed in the decade under review, slightly more than 17% of the total. Only in 2006-07 did GBS disbursements exceed \$100 million. Although both GBS and SBS disbursements show a similar *pattern* of increase from 2004-2005 onwards.

Table 2 below shows PBA disbursements by mode and geographic area. The prominence of Africa Branch is obvious: it accounts for 59% of CIDA's portfolio. Disbursements to PBAs in Afghanistan/Pakistan and Iraq are the second-largest portion of the Agency's investment, nearly 25% and more than Asia and the Americas combined.

**Table 2 – CIDA's PBA Disbursements, by Geographic Area**

PBA Mode	Disbursements from 1999-2000 to 2008-2009 (in Canadian dollars)					% of Total
	Africa	Asia	Americas	Afgh./Pakis. & Iraq	TOTAL	
GBS	\$211,540,000	\$34,500,000	\$22,460,000	\$200,500,000	\$469,000,000	17%
SBS	\$452,770,000	\$13,510,000	\$23,900,000	\$314,750,000	\$804,930,000	30%
PF	\$488,160,000	\$132,240,000	\$120,180,000	\$122,200,000	\$862,780,000	32%
Other PBAs	\$430,830,000	\$94,640,000	\$5,450,000	\$26,000,000	\$556,920,000	21%
<b>Total</b>	<b>\$1,583,300,000</b>	<b>\$274,890,000</b>	<b>\$171,990,000</b>	<b>\$663,450,000</b>	<b>\$2,693,630,000</b>	<b>100%</b>
<b>% of Total</b>	<b>59%</b>	<b>10%</b>	<b>6%</b>	<b>25%</b>	<b>100%</b>	

The numbers in the category labelled as "Other PBAs" in the table above cover projects, including technical assistance, and support to NGOs and multilateral partnerships carried out under PBAs. The numbers may be high on account of earlier lack of clarity in the definition of PBAs and inconsistency in the coding of the financial information.

### 3. International Experience with PBAs

#### 3.1 Introduction: PBAs as Vehicle and Symbol of Changes in Development Cooperation

As Section 2.1 explains, the policy directions for the use of PBAs by donor agencies and recipient governments were established by OECD/DAC markers for aid effectiveness, *Shaping the 21<sup>st</sup> Century*, and by UN statements, notably the MDGs. The Paris Declaration conjoined the MDGs and aid effectiveness principles in an agreement, signed by northern and southern governments, and confirmed the definition of PBAs and targets for their use.

CIDA's seminal statement, *SAE*, describes PBAs as integrating the key principles of aid effectiveness; among the donor community, PBAs have become the programming expression of the aid effectiveness agenda. Not surprisingly, perhaps, they are fraught with both ambitious expectations and commensurately large questions. Two recent surveys of international experience summarize what is at stake.

A 2008 review by CIDA's Evaluation Directorate puts the issues this way:

*PBAs have proven to be challenging to manage from a strategic perspective: while they offer the hope of increased ownership by recipients as well as a more concerted and focussed attack on poverty, they also bring with them issues of accountability, questions about impact, the possibility of reduced emphasis on poverty reduction efforts by partners, and other managerial problems for donors—not the least of which is how to evaluate their relevance and impact.*<sup>19</sup>

In a similar vein, a multi-country study of a decade of experience (1994-2004) with general budget support describes donors' "extraordinarily wide" array of expectations for this particular modality. The ultimate objective of GBS may be clear—at its simplest, poverty reduction—but achieving that involves much more: better coordination and harmonization among donors and alignment with partner country policies and budget and results systems; lower transaction costs and greater predictability of funding; increased effectiveness of public administration in host countries; and stronger domestic accountability.<sup>20</sup>

If PBAs are both vehicle and symbol of a fundamental shift in how development cooperation is done, equally basic questions are being asked about them. The CIDA review lists issues of concern to "politicians and donor agency managers alike:" Questions arise from the sums committed to PBAs, the risks of accountability they entail, and the current lack of evidence that these modalities are more effective than others in the fight against poverty.

Against this background, monitoring and evaluation of PBAs have taken on more urgency and importance among donors and their national governments. CIDA's 2008 review concludes that there have been "only a few efforts at coming to grips with evaluation methodologies for the strategic management of PBAs." There is "a near absence of policies, approaches and quality

<sup>19</sup> CIDA, Evaluation Directorate, "Concept Paper: A Document Analysis of International Efforts to Define Approaches and Methodologies for the Evaluation of Programme-Based Approaches," (Gatineau: Nov. 2008), p. 5.

<sup>20</sup> IDD and Associates, "Evaluation of General Budget Support: Synthesis Report," Birmingham, May 2006, p. 8. (Emphasis in original.) This study was commissioned by a consortium of donors and Southern governments under the auspices of the DAC Network on Development Evaluation.

standards of donors with respect to these types of evaluations,” despite the fact that some of the evaluative studies have been jointly undertaken by several donors.<sup>21</sup>

### 3.2 How Have Bilateral Donors Used PBAs?

CIDA and other signatories of the Paris Declaration committed themselves to delivering two-thirds of their development assistance via PBAs. The DAC Survey of the Paris Declaration assessed progress made on Indicator 9, the use of common arrangements and procedures.<sup>22</sup> The Paris Declaration target was 66% of aid flows provided “in the context of program-based approaches” by 2010. Donors voluntarily provided the data summarized in Table 3 below.

Canada disbursed 56% of its assistance via PBAs in 2007, or US\$509.9 million of a total of US\$914.1 million in bilateral aid. In comparison, the UK provided 72% of its aid through PBAs, i.e., US\$1,148.8 million of a total of US\$1,598.6 million. The Netherlands provided 71% of its assistance through PBAs. Other actors such as Germany (34%) and the US (37%) have made much more limited investments in PBAs.

**Table 3 – Donors’ and Multilaterals’ Use of PBAs to Deliver Aid (2007)**

	Program-Based Approaches			Total aid disbursed	
	Budget support	PBAs other than Budget support	Total		
	(USD m)	(USD m)	(USD m)	(USD m)	2007
	a	b	c = a + b	d	c as % of d
Canada	265.6	244.3	509.9	914.1	56%
Europ'n Cmsn	839.1	620.0	1,459.2	3,142.6	46%
Germany	109.2	214.6	323.9	940.4	34%
Japan	61.1	849.3	910.3	1,752.3	52%
Netherlands	437.5	253.1	690.6	969.3	71%
Norway	112.6	73.6	186.2	378.0	49%
Sweden	181.8	152.0	333.9	718.6	46%
United Kingdom	775.6	373.2	1,148.8	1,598.6	72%
United States	59.0	1,554.2	1,613.2	4,391.6	37%
<b>Sub-Total</b>	<b>2,832.5</b>	<b>4,334.3</b>	<b>7,166.8</b>	<b>14,805.5</b>	<b>48.4%</b>

Afr. Dev. Bank	250.1	128.3	378.4	1,182.7	32%
As. Dev. Bank	206.7	108.6	315.3	915.5	34%
GAVI Alliance	0.0	22.2	22.2	59.7	37%
Global Fund	0.0	486.5	486.5	643.5	76%
IDB	77.9	70.3	148.1	384.1	39%
IFAD	2.5	33.4	35.9	112.1	32%
United Nations	75.0	509.7	584.8	1,713.2	34%
World Bank	2,199.9	1,089.3	3,289.2	5,887.0	56%
<b>Sub-Total</b>	<b>2,812</b>	<b>2 448</b>	<b>5,261</b>	<b>10,898</b>	<b>42%</b>

<sup>21</sup> CIDA/ED, “Analysis of International Efforts,” p. 6. Readers should note that CIDA is part of an ongoing multi-donor study of the outcomes and impact of PBAs, led by the EC.

<sup>22</sup> OECD/DAC, 2008 Survey on Monitoring the Paris Declaration: Making Aid More Effective by 2010. Paris: OECD, 2008. The DAC made one survey in 2006 and another in 2008.

Within this “league table”, Canada thus appears as an “average player” compared to countries such as the Netherlands and the United Kingdom. Both of these score well above the Paris Declaration target of 66%. On the other hand, Canada is in the same mid-range band as Sweden, Norway, and Japan, and above such countries as Germany and the USA, which show disbursements of less than 40% of bilateral aid via PBAs.

### 3.3 How Have Multilateral Organizations Used PBAs?

Comparable assessments may be made of the performance of multilateral organizations against the Paris Declaration target for program-based assistance. Eight international organizations provided data on their use of PBAs to the DAC 2008 survey.

Table 3 above shows that the Global Fund provided 76% of its assistance via PBAs, and the World Bank, 56%. The multilaterals recorded an average level of 42%, lower than the 48.4% average of bilateral agencies listed.

The role of multilateral organizations in PBAs does not end with financial contributions, however. They are major contributors of technical expertise—their representatives often play a leadership role in working groups on public sector reform, for example—and they regularly manage Pooled-Funding PBAs on behalf of the international community. The World Bank, the African and Asian Development Banks, UNICEF, and UNFPA often play such roles.

CIDA often contributes to such Pooled-Funding arrangements with other bilateral donors through *grants* (without right of evaluation or audit) rather than *contributions* (with right of evaluation and audit). However, these Pooled-Funding arrangements are audited and evaluated by the country and donors together.

With this background on the use of PBAs in the wake of the Paris Declaration, we now examine analyses of international experience with PBAs.

### 3.4 Reviews of International Experience with PBAs

#### What is a PBA? Interpretations Differ...

For all the prominence of PBAs in the aid effectiveness discourse, and the apparently straightforward four-part definition adopted by the DAC and CIDA, and enshrined in the Paris Declaration, not all donors use the same definition. The 2008 Evaluation Directorate review notes different emphases and characteristics in the definitions used by the EC, the Scandinavian countries, and DFID. Moreover, several donors, such as the USA, Spain, and Italy, do not engage in PBAs via budget support to any significant extent.<sup>23</sup> Two practical issues follow, which are relevant to any evaluation and comparison:

- Although CIDA and the DAC identify three main modalities for PBAs, with projects and technical assistance comprising a significant fourth stream (“other”), major donors such as the UK tend to see PBAs as comprising general and sector budget support. Yet, in CIDA’s portfolio, GBS and SBS make up less than 50% of the total disbursements via PBAs. As a

<sup>23</sup> CIDA/ED, “Analysis of International Efforts,” pp. 12-13. The review also argues that the CIDA/DAC definition is so broad that almost anything could be classified as a PBA; and that for this reason, the definition is not sufficiently exclusive to be useful for evaluation purposes.

result, there remain substantial differences among donors about the practical meaning of measures of 50% or 66% of aid in program-based form.

- Because interpretations of the “PBA” label differ, and because of the scale of donor activity outside budget support, comparisons with “the international experience” require caution.

## Performance of PBAs: International Experience

CIDA's 2008 survey of analyses of international experience with PBAs notes that these focus on donors' experience in their relationships with recipient governments, and have been done or commissioned by donors (the latter term including the World Bank.)<sup>24</sup> Appendix 12 of this report summarizes the key reviews, the institutions responsible for them, and the relevance of the international experience to the performance of CIDA's PBAs. The substantive points of these analyses are incorporated into Section 5 of this report.

Among the major considerations addressed by the international community is the monitoring and evaluation of PBAs. The logic suggests that a program designed and implemented collaboratively by partner countries in tandem with other actors of the international community should also be “monitored and evaluated jointly”. The principle of mutual accountability suggests that such processes be undertaken under the leadership of partner countries. However, this raises the issue of capacity. All these considerations are addressed by the review of the experience of the international community (see Appendix 8).

## 4. Findings: PBAs within CIDA Country Programs

### 4.1 Introduction

This part of the Synthesis Report summarizes CIDA's experience with PBAs within its country programs. This Section draws on the evaluations of Country Programs in Bangladesh, Ethiopia, Ghana, Mozambique, and Vietnam<sup>25</sup>, presenting summary information on contextual factors, PBAs within the program, and evaluation findings. Appendix 6 provides additional examples of PBA investments.

### 4.2 Bangladesh<sup>26</sup>

**Contextual Factors:** CIDA has maintained a long relationship with the strong and internationally recognized NGO community in Bangladesh, notably BRAC and the Grameen Bank. Both have made themselves international NGOs, making significant contributions through their work on poverty reduction throughout Asia and in Africa. Their prominence stands in contrast to the government's own challenges, centred on the systemic corruption that dominates political and economic life.

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<sup>24</sup> *Ibid.*, pp. 17-39.

<sup>25</sup> These are the five largest of the six programs evaluated. Malawi was the smallest of the six programs, and Honduras was not evaluated. The Technical Report contains summaries of both.

<sup>26</sup> The summary that follows is drawn from the Bangladesh CPE: CIDA, Evaluation Directorate, “Evaluation of CIDA's Program In Bangladesh 2003–2008: Administrative Report,” (Gatineau, 2009). Page references to the CPE documents appear in brackets in the text.

Since 2005 CIDA has responded to the PRSP of the Government of Bangladesh by giving more importance to PBAs, while maintaining traditional bilateral projects and responsive support through Canadian, local and international organizations. CIDA's PBAs include Pooled-Funding arrangements with BRAC, to support its extensive Basic Education Program. Appendix 6 shows this as an example of a PBA underpinning a donor's effective collaboration with a CSO.

***CIDA's Investment in the Bangladesh Program:*** In the five-year period from 2002-2003 to 2007-2008, CIDA committed a total of \$318.5 million to the Bangladesh program. Of this amount, the bilateral program accounted for fully 83%, \$265.3 million.

Over the decade from 1999-2000 to 2008-09, CIDA disbursed just over \$210 million dollars through PBAs in Bangladesh, increasing its investment after 2005. Because of administrative and governance considerations, Bangladesh received no general budget support from CIDA. The Bangladesh program has used Pooled-Funding arrangements, in which PBAs held by NGOs such as BRAC are prominent. Pooled Funding accounted for just over \$116 million (55% of CIDA's total PBA disbursements) over this period. Sector budget support, conversely, amounted to just less than \$40 million, 18.7% of the total.

### ***CPE Findings on PBAs:***

#### **PBAs have reshaped CIDA's program in Bangladesh.**

The Agency has reduced the number of unrelated projects, and has experimented with sector-wide approaches and Pooled Funding (via third-party agencies such as the World Bank or NGOs such as BRAC) in addition to the more traditional projects implemented by Canadian Executing Agencies. This shift was intended to promote more effective aid delivery through harmonization and alignment with Bangladeshi national priorities, management frameworks, systems, and procedures. As part of this harmonization process, donors and government formed a Local Coordination Group (LCG) that offered an organizational base for the collaboration of the international community.

#### **Treasury Board requirements for risk assessment have shaped CIDA's use of PBAs.**

In choosing PBAs, CIDA has applied Treasury Board regulations requiring a risk assessment. CIDA concluded that given the administrative environment at the time, it should not channel resources through budgetary support or Pooled-Funding schemes managed by GoB authorities. CIDA's funds for health PBAs are thus channelled through international organizations such as the World Bank, UNICEF and UNFPA; for education, through the Asian Development Bank and BRAC. Such initiatives do ensure delivery of services and benefits to the poor and accountability of funding but are not financially sustainable in the long term without continuing donor support.

#### **Donor coordination and transaction costs have been core issues.**

The Paris Declaration principle of "harmonization" is intended to advance coordination among donors, easing the effort of the partner country by reducing the transaction costs of delivering aid. Bangladesh has created the Local Coordination Group and its thematic/sectoral subgroups to advance harmonization. It is not obvious that a system with 36 external members representing 17 countries and 10 multilateral organizations, plus 21 subgroups, is the most efficient way to coordinate international aid delivery. Within the LCG, CIDA has been an active player, even though it has made only modest investments in health and education SWAps.

Various instruments could facilitate better coordination and reduce transaction costs: a common monitoring and evaluation framework, a partnership agreement, collaborative annual reviews involving the participation of key donors. CIDA might also consider a division of labour among donors—but this is not something the Agency can do on its own.

### **Examples of Results Achieved by PBAs:**

The Bangladesh CPE rated the various PBAs in the program from “satisfactory” to “highly satisfactory” in their effectiveness in achieving intended results. Observations included:

- **Education:** The Primary Education Development Program II (\$64 million) begun in 2005 shows positive outputs: recruitment of 25,000 new teachers, and 45,000 teachers gained a one year Certificate-in-Education; 15,472 new classrooms were built. A much more detailed assessment would be required to judge the cost-effectiveness of the SWAp.
- **Health:** CIDA funded two health PBAs, for \$45 million and \$20.46 million. These are Pooled-Funding mechanisms, but are classified as SWAPs. They provide useful outputs: commodities in important quantities.
- **Results of these SWAPs:** Results in large multi-donor and sector programs will be realized only over time—one cannot expect very many short-term results from the education and health SWAPs. SWAPs are not just about capacity and institution building. These are essential to institutionalize sustainable systems and processes at the national level, but SWAPs also directly support the delivery of health and education services and commodities to millions of Bangladeshis. SWAPs aim to effect sustainable change in nationwide programs and systems. Although results are realized slowly at this level, they are national in scope and are more likely to be sustainable if they are owned by the country and integrated into government policy and systems. These are, ultimately, the mechanisms for universal public service delivery.

## **4.3 Ethiopia**<sup>27</sup>

**Contextual Factors:** The World Bank's endorsement of Ethiopia's anti-poverty strategy encouraged other donors to increase their aid to Ethiopia over the past decade, and particularly to invest in PBAs. Ethiopia has thus become one of the largest recipients of international aid in Africa, and its national budget is substantially dependent on foreign assistance. At the same time, governance issues have become a focus of tension between donors and the Ethiopian government, and a source of conflict within the society. In the wake of the political crisis of 2005, all involved donors, including CIDA, redirected general budget support by earmarking funds for basic services to the rural poor. They also limited transactions with GoE, redirecting PBA funds through third-party channels, especially agencies such as the World Bank. Since 2005, the international donors in Ethiopia have made a concerted effort to engage the government in policy dialogue on governance and democracy. Despite such efforts, democratic space is seen as reduced, and political parties constrained. These dynamics have reshaped the setting for PBAs.

**PBAs within the Ethiopia Program:** After CIDA declared Ethiopia to be a country of focus in 2002, its program budget increased three-fold. Between 2004 and 2008, the Agency disbursed some \$535 million, shifting its emphasis from emergency assistance to promoting longer-term

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<sup>27</sup> The summary that follows is drawn from the Ethiopia CPE: CIDA, Evaluation Directorate, “Ethiopia Country Program Evaluation, 2003-2004 to 2008-2009 — Synthesis Report,” (Gatineau, 2009).

development in food security and governance. PBAs were key vehicles in this changing profile. Below are examples of PBAs in the program, noting their achievements. (See also Appendix 6 for further details)

**i) Direct Budget Support / Protecting Basic Services (PBS):**

CIDA started to support Ethiopia's poverty reduction plan with \$105 million of direct budget support (DBS). However, CIDA only contributed \$25 million to the DBS before it was suspended after the political crisis in 2005 and replaced with the Protecting Basic Services program, intended to strengthen the GoE systems (health, education, agriculture, and water) providing basic services to the rural poor. The contributions of these PBAs to improvements in health indicators include:

- 1.5 million malaria nets contributed by CIDA (of about 20 million total) resulting in 26% fewer malaria cases in the past two years;
- 63% fully immunized children against 20% fully immunized two years earlier;
- 81% partial vaccination coverage;
- 51% contraceptive prevalence rate against 36% two years ago; and,
- 90% coverage of vitamin A supplementation twice a year.

While only a part of such results cannot be feasibly attributed to CIDA, the Agency made a substantial financial commitment to the GoE's development agenda and has shown leadership in the design, planning and negotiation of the PBS, working with other donors and the Ethiopian Government at a time of political volatility and uncertainty.

**ii) Food Security, Agriculture, and Rural Development:**

CIDA contributes to two major PBAs in this sector: The Productive Safety Net Program, and the Ethiopia Food Security Project. These transfer cash and/or food to 7.36 million chronically food-insecure people, and provide revolving funds to enable communities to invest in asset creation and income generation. As an example of achievements:

- **The Productive Safety Net Program** has enabled millions of people to protect their basic livelihoods. Households reporting food shortages have been reduced from 85.6% in 2006 to 55.4% in 2008. Rehabilitation and construction projects have improved environmental protection, land productivity, and physical infrastructure such as roads, schools, and clinics.

**iii) Governance:**

CIDA has supported both national-level capacity development and the strengthening of regional government and civil society institutions. The Agency has also played an active part in policy dialogue and chairs high-level joint donor forums on governance.

CIDA's project and PBA investments have resulted in improved oversight and accountability roles and processes; revised structures, procedures, methodologies and tools, to improve financial oversight and transparency; increased efficiency in service provision through modernized equipment and improved administration; and a better application of gender and environmental analysis.

### **CPE Findings on PBAs:**

- **CIDA has a privileged seat at the policy table:** By investing in PBAs, CIDA has gained access to information and a privileged and respected seat at the policy dialogue table with government. CIDA has shifted its emphasis from directive projects towards government-driven PBAs funded by multiple donors. With this improved alignment and harmonization, program relevance has also improved. CIDA has taken a prominent role in joint donor-GoE negotiations to facilitate risk management and policy dialogue, also enhancing the relevance of its program.
- **Identifying the results of this investment remains a challenge:** The achievement of results in PBAs is inherently long-term and slow-moving because of the scale of the initiatives and the complexity of decision-making among donors and GoE. Being one of several donors whose financial contributions are proportionally modest, attribution is a challenge. The focus of assessment is more usefully placed on CIDA's contribution – its performance in “managing for results” within a PBA context—that is, on the Agency's support of and participation in joint planning, capacity building, policy dialogue, monitoring, evaluation and redesign processes.
- **New modalities require new skills:** The PBA environment requires a new skill set for CIDA staff, emphasizing technical knowledge, analytical skills and experience in policy dialogue.
- **Overall assessment of PBAs:** PBAs' benefits include greater alignment with government priorities and ownership by government; greater coordination and harmonization of inputs and advice among donors, and potential for an improved division of labour among donors and reduced transaction costs among donors and GoE; and greater access to information and opportunities to influence for smaller donors such as CIDA. Lengthy approval processes and the 2005 political crisis, have slowed progress

#### **4.4 Ghana**<sup>28</sup>

**Contextual Factors:** From the 1990s, Ghana has experienced rapid growth and received the plaudits of Western governments, which champion its investment policies and its emergent liberal democracy. It has become a key partner for both private investors and aid donors. The CPE observes that key governance indicators—political rights, civil liberties and freedom of speech—are close to the OECD average. Ghana has also taken significant steps to address corruption, enacting legislation and strengthening law enforcement agencies including the judiciary. Civil society also plays an important role in public policy and anti-corruption efforts. All these factors create an environment for donor-government co-operation, and for PBAs in particular, which is very different from that of Bangladesh and Ethiopia.

**PBAs within the Ghana Program:** With the 2002 decision to make Ghana a country of focus, CIDA reshaped its program to reflect the changing donor policy discourse, and to respond to a Ghanaian government initiative to co-ordinate donor support for its budget. In 2003, CIDA joined a multi-donor GBS program to support Ghana's poverty reduction strategy, committing \$93 million over five years. Between 2002-03 and 2008-09, CIDA disbursed \$282 million in PBAs, with over 90% (\$255 million) channelled through government systems as either GBS or SBS—a statement of its confidence in Ghana's public financial management.

<sup>28</sup> The summary that follows is drawn from the Ghana CPE: CIDA, Evaluation Directorate, “Evaluation of CIDA's Program in Ghana, 1999-2005, Executive Report,” (Gatineau, June 2008).

## **CPE Findings on PBAs:**

### **Joint Donor/Government Evaluation of GBS.**

A joint evaluation of Multi-Donor Budgetary Support (MDBS), done in 2007, reached largely positive conclusions:<sup>29</sup>

- GBS was an effective and efficient use of aid resources.
- The MDBS generated benefits that other modalities could not. It enabled the government to reduce debt and to increase spending aimed at reducing poverty, notably in health and education.
- The evaluation could not establish a strong link between GBS and poverty reduction.
- The primary benefits of GBS were intermediate and institutional. They included increased anti-poverty expenditure; reduced transaction costs for government authorities; policy and financial support for reforms in public financial systems; and financial support for the government's decentralization program.
- At the same time, the evaluation found that the management and design of the GBS placed too much focus on external accountability to donors and too little on domestic accountability.

**The overall CPE assessment of the program**, of which PBAs were a part, was as follows:

- General and sectoral budget support were important instruments in maintaining the relevance of the program.
- The program used a mix of modalities effectively, from traditional projects to pooled funds to budget support, aiming to align CIDA's delivery with government priorities and systems;
- Although CIDA has invested in public financial management and in governance reform, it remains an open question how durable the resulting institutional changes will be. Corruption remains a risk.

## **4.5 Mozambique<sup>30</sup>**

**Contextual Factors:** Mozambique has enjoyed considerable support from the international development community in the last decade, a tribute to its achievements in reconciliation and rehabilitation after a prolonged and brutal internal war ended in 1992. The donor community has invested considerable sums in the anti-poverty strategy of the government, with Mozambique receiving over US\$1 billion from OECD/DAC members in 2007. Despite its success in establishing a multiparty democracy, and its stability, the country manifests a "democratic minimalism" (in the apt phrase of the CPE, p. 45), the product of a directive central government, a statist political tradition and a weak civil society.

**PBAs within the Mozambique Program:** CIDA designated Mozambique as a country of focus in 2002. The program grew significantly in the years that followed, with CIDA disbursing \$324 million in the five years from 2004 to 2009. Program managers consciously adopted a "balanced approach", using different modalities, including contributions to Pooled Funds with

<sup>29</sup> Produced by the Overseas Development Institute and the Centre for Democratic Development in Accra, 2007. See Appendix 16.

<sup>30</sup> Source for this summary: CIDA, Evaluation Directorate, "Country Program Evaluation, Mozambique: Synthesis Report. 2004-2005 to 2008-2009," (Gatineau: 2009).

other donors, and traditional projects to channel resources to vulnerable communities and regions, with Mozambican priorities outlined in the PARPA, the government's anti-poverty plan. In the years reviewed by the CPE, PBAs accounted for \$114 million, some 35% of Bilateral disbursements. The bulk of this has been via PF and SBS. CIDA began general budget support to GoM in 2005 with a modest \$5 million pilot, expanding that commitment in later years. CIDA is an active participant in the Program Aid Partnership, a body for program co-ordination established by GoM in 2004, and now including 19 members.

The GoM-donor Program Aid Partnership has created a Joint Review Process which is considered to be a model of good practice. This is described in Appendix 6

### ***CPE Findings on PBAs:***

#### **Results of PBAs: CIDA's Policy and Programming Influence.**

CIDA did not have a systematic plan for its work in policy dialogue, and this has hampered any close assessment of achievements or shortcomings in this area. Testimony by Mozambicans and other donors has been generally positive of CIDA's commitment and leadership within sectoral working groups. Conversely, the Agency's slow and centralized approval process may have limited its credibility within the PAP.

#### **Results of PBAs: Cross-Cutting Themes.**

CIDA's CDPF for Mozambique identifies gender equality as one of four cross-cutting themes. The CPE asserts that the greatest challenge for the Agency was ensuring that sector programs, especially PBAs, conducted gender based analysis in planning and provided sex-disaggregated data in reporting.

#### **Results of PBAs: Sectoral Achievements in Education and Governance.**

Education PBAs show important results, but less has been achieved than was planned. Underperformance is due partly to overambitious expected results, and partly to an inadequate match between targets and available human resources. In the Education Pool Fund the joint nature of the intervention makes the attribution of results difficult.

CIDA's GBS for Poverty Reduction is part of Governance programming. The CPE judged that GBS helped consolidate democratic elections; enabled GoM to direct 65% of its budget to the priorities of the national anti-poverty plan; and contributed to Mozambique's improved rating on Public Expenditure and Financial Accountability indicators. As for the effects of the GBS on poverty reduction, the CPE concluded that: GBS made a modest contribution towards the improvement of basic services for health, education, and other basic services for the poor. Secondly, it made a low contribution to income poverty reduction, although it contributed to broader processes affecting the economic environment and poverty reduction.

#### **Strengths and Weaknesses of PBAs in the Mozambique program.**

- The CPE found that PBAs (including GBS and SBS) fit better with national priorities than do other modes. They showed a higher level of coherence with the work of other development actors and responded to the management principles of the Paris Declaration.

- PBAs scored lower on achievement of results; on the potential for sustainability; on the consideration they give to cross-cutting issues, and on performance management. Stronger monitoring and evaluation systems could have helped.

### **Managing the Program: The CPE identified challenges.**

- PBAs require increasing participation and leadership in sector working groups. Partnership entails not just financial resources, but sectoral technical expertise in the field as well. Thus, having the people with the right mix of skills and expertise is a key.
- The delays and transaction costs created by the low level of delegated authority to the field have also affected the ability and credibility of the Canadian program team in Mozambique to play a leadership role in the field.

## **4.6 Vietnam<sup>31</sup>**

**Contextual Factors:** Vietnam has experienced 15 years of rapid economic growth, moving from central planning and state ownership of production towards a mixed economy with a significant private sector. It has done so with considerable success: by 2020 Vietnam may be in the lower tier of the World Bank's "upper middle income" category. The Vietnam government has had a clear and strongly held development agenda, and has negotiated that effectively with the donor community. That said, Vietnam's centralized political system and restrictive economic policies may have had a negative impact on its income performance.

**PBAs within the Vietnam Program:** Vietnam has held a CIDA country-of-focus designation since 2002. The changing profile of the program reflects that priority: CIDA's overall program has grown since 2002, with the agency disbursing nearly \$213.9 million between 2004-05 and 2008-09. Of this amount, the Geographic program accounted for \$134.9 million, 63% of the total.<sup>32</sup> PBAs in turn accounted for \$63.5 million, just under half (47%) of that total. Within that sum, GBS had the largest share, at \$34.5 million (54%), SBS a further 22%, and Pooled-Funds the rest. Thus, just over three-quarters of CIDA's PBAs were channelled through government systems, a recognition of their effectiveness.<sup>33</sup> Appendix 6 provides further details.

### **CPE Findings on PBAs:**

- Appendix 6 includes two examples of effective use of general budget support at the national level. Below are examples of two PBAs in education showing the synergies that can be obtained from effectively sequenced and well-designed PBAs harnessed to a strong national plan.
- CIDA contributed C\$15.0 million to the Primary Education for Disadvantaged Children (PEDC) program, a USD 245 million Pooled-Funding initiative involving the World Bank, UK, Canada, Australia and Norway, to advance the Education for All (EFA) principles. Its key objective was to improve access to primary schools and a better quality of education for 2.7 million children in 222 of the poorest districts in the 40 poorest provinces of Vietnam through teacher training, training for principals and administrators, teaching aids and guides,

<sup>31</sup> This summary is drawn from: CIDA, Evaluation Directorate, "Evaluation of CIDA's Investments in Vietnam. Draft Synthesis Report," (Gatineau: February 2010).

<sup>32</sup> Multilateral programming accounted for \$46 million, or 21.5%.

<sup>33</sup> CIDA's GBS comprised contributions to the Poverty Reduction Support Credits program of the World Bank; the Bank then channelled these to the State Bank of Vietnam.

teaching assistants for ethnic minority children, curriculum and textbooks, school pedagogical and administrative management, and school infrastructure and buildings. PEDC was an ambitious and complex undertaking. It was accompanied by a comprehensive decentralization programme in the education sector and there was a significant investment in management capabilities and systems. Although it was slow in getting off the ground and needed significant donor oversight, the project has been successful in meeting most of its objectives. CIDA was seen by the MOET and other donors to be a reliable supporter in this evolution, providing some financial support and participating actively in policy dialogue.

- CIDA also contributed C\$13.0 million to a complementary initiative to achieve the objectives of the EFA Action Plan, CIDA, the World Bank and five other donors funded a USD 135 million dollar Targeted Budget Support for Education For All (TBS-EFA) initiative that directly support the National EFA Action Plan through the systems of the GoV and the Ministry of Education and Training (MOET). Under the leadership of the Ministry, the TBS-EFA dealt with much the same domains as the PEDC.
- The 2006 and 2008 Mid-Term Reviews of the PEDC and the 2008 Joint annual Review of the TBS-EFA found that the educational system had made remarkable progress but there was still much to be done, particularly in terms of the management of the education sector and policies and practices that applied to the poorest segments of Vietnamese society.

#### **CIDA's support to Vietnam through program-based approaches has worked well.**

- As a complement to general budget support at the national level, CIDA has used a mix of sector budget support, and Pooled-Funds complemented with expert technical assistance to help Vietnam strengthen its primary education system and position itself to achieve the EFA (Education For All) objectives of universal primary education by 2010, barring unforeseen circumstances.

#### **CIDA made policy dialogue a priority.**

- CIDA has worked with the World Bank and other donors to formulate and monitor the triggers and policy actions for GBS, which the Bank then negotiated with the GoV.
- Bilateral donors use PBAs in Vietnam because they enable a multi-donor approach to policy dialogue on reform. To work well in this process, CIDA needs clear policy dialogue objectives and strategies to achieve them, supported by in-depth analysis. Feedback from other donors have confirmed that Canada has made valuable contributions.

#### **CIDA staff members could use more support from the Agency for their work with PBAs.**

- CIDA staff members can benefit from more guidance on PBAs in such areas as criteria for participating in PBAs and the performance criteria for PBAs.

### **4.7 Malawi<sup>34</sup>**

**Contextual Factors:** Malawi, which was a country of focus for most of the period covered by the evaluation but subsequently became a “country of modest presence” for CIDA, is one of the ten poorest countries in the world: drought and floods regularly threaten the agricultural base of its economy, and social development is marginalized as attention and resources shift to

<sup>34</sup> <sup>34</sup> Source for summary: CIDA, Evaluation Directorate, “Malawi Country Program Evaluation, Draft Executive Report”, (Gatineau: February 2010).

immediate needs for survival. Malawi has one of the highest HIV infection rates in east and southern Africa: its farm labour force is shrinking and there are serious staff shortages in the social services. In spite of this, Malawi is on track to meet the MDG to reduce the under-five mortality rate; has surpassed its 2015 targets for drinking water; is a regional leader in sanitation; and has made strides in its efforts to contain HIV/AIDS. Over the past decade, the Government of Malawi has shown increasingly active leadership on development strategies and donor coordination, establishing a Joint Program Review system for the latter.

**PBAs within the Malawi Program:** Over the ten-year period (1999-2000 to 2008-2009) reviewed by the CPE, CIDA's total ODA disbursements through all investment channels were C\$216.6 million. Of this amount, the Geographic Program accounted for \$121 million, of which \$25.5 million (or 21%) was in the form of PBAs (none of it through GBS or SBS). CIDA's PBA investments went to Pooled Funds (\$10.71 million, or 42%) and project/technical support (\$14.8 million, or 58%). CIDA was instrumental in supporting one of the first successful PBA mechanisms in Malawi, the HIV/AIDS SWAp. The Agency disbursed almost \$15 million on this project from 2002-2008.

### **CPE Findings on PBAs:**

#### **CIDA played an active role in coordination and harmonization.**

CIDA played an active, broad role in donor coordination and harmonization within the HIV/AIDS Pooled Fund, in preparing for other possible SBS and in building sector coordination groups. Other donors have recognized CIDA's neutrality and consider the Agency predictable and trustworthy.

#### **Budget constraints have affected CIDA's programming and reputation.**

CIDA's positive record in donor coordination and harmonization has been weakened in recent years by its limited financial commitments to SBS. Although CIDA had only marginal resources to support additional SBS after 2004, it helped to develop new sectoral program initiatives in water and education. Stakeholders noted the disconnect between CIDA's ability to generate good ideas and to provide the resources required to implement them.

#### **The assessment of the implementation of the HIV/AIDS PBA is positive.**

The use of Pooled-Funding mechanisms has ensured better predictability and reliability in the generation and transfer of government and donor funds to the national AIDS program. It has also reduced the transaction costs of the government, and has provided the government, CIDA and other donors with opportunities to learn about PBAs. Several stakeholders expressed concern about the future of the SWAp when CIDA's leadership role were to end. Some results include:

- Increase from 3,760 patients receiving antiretroviral therapy (ART) in 2003, to more than 140,000, taking the ART coverage to estimated 30 percent, one of the highest among low-income (and high prevalence) countries in the region;
- 78 percent of HIV positive pregnant women receiving treatment;
- 357 health facilities are now providing services preventing mother-to-child transmission;
- Increased number of HIV testing and counseling sites from 14 sites in 2001 to 410 sites;

- Over 20 percent of orphans and other vulnerable children are receiving external support; and,
- Mainstreaming: there are now over 40 new workplace committees on HIV/AIDS.

The experience in Malawi suggests that the use of a mix of delivery mechanisms including PBAs in Health-HIV allowed CIDA to play an active part in coordinating the work of the donor community.

## 5. Findings: PBAs Assessed against Performance Criteria

This section of the report summarizes the assessments of PBAs against the eight performance criteria which guided CIDA's country program evaluations. For each criterion, the report presents a summary assessment, based on the evidence of the CPEs. Relevant evidence from the international experience reviewed is noted to provide a comparative reference for the CPEs. The sub-section on each criterion concludes with an overall assessment of PBAs (based on both Canadian and international evidence) and a note on any outstanding questions.

Lastly, we should emphasize that although each performance criterion focuses on a specific characteristic of PBAs, the criteria are not neatly distinct. They are linked to one another, with the result that analyses, considerations and recommendations are also inter-related.

### 5.1 Relevance

The criterion of *relevance* speaks to the extent to which the objectives of the PBA are consistent with country priorities, with CIDA's policies of poverty reduction and sustainable development, and with the intent and strategy of the CDPF.<sup>35</sup>

The relevance of all forms of PBAs (GBS, SBS, and Pooled Funding) was judged to be *highly satisfactory overall*. PBAs were closely complementary to the policy and objectives of the host country, to donor policies, and to global priorities. In countries where budget support was part of the evaluation—Vietnam, Ethiopia, and Mozambique—GBS and SBS often received the highest possible rating on their relevance. The GBS initiatives were very closely linked with the PRSPs and national level objectives while the SBS and Pooled-Funds initiatives were closely aligned to the countries' sector plans, which tended to have more close links with poverty reduction. Both allowed good opportunities for policy dialogue and discussions between donor partners and the host countries on meaningful issues at the different levels

The conclusion from the CPEs is clear: PBAs are highly relevant to needs and priorities of host countries, as are other programming modes, which CIDA staff have used in a complementary fashion.

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<sup>35</sup> To guide the CPEs, the Evaluation Directorate adopted the definition of relevance used by the OECD/DAC in its "Glossary of Key Terms in Evaluation and Results-Based Management," Paris: OECD, 2002

## 5.2 Effectiveness and Results

The criterion of *effectiveness and results* takes account of the extent to which PBAs achieved their intended objectives, as well as the significance of their results for poverty reduction, sectoral objectives, and gender equality.

### Evidence from CIDA's Country Program Evaluations

Taking account of all PBAs sampled in all country programs, their effectiveness was judged to be *satisfactory overall*. Their objectives typically include poverty reduction at the national level, and sectoral or thematic levels. This aggregate mid-range assessment obscures a wider range of ratings, however, as the effectiveness of PBAs in generating development results varied considerably, from one country to another and from one initiative to another. Some were judged to be highly satisfactory while others moderately satisfactory. CIDA's Pooled-Funding PBAs were considered highly satisfactory in their effectiveness in Bangladesh, as was the sole Pooled-Fund for HIV/AIDS in Malawi. In Mozambique, however, Pooled-Funding PBAs were rated only satisfactory. The effectiveness of budget support was rated only moderately satisfactory in Mozambique while it was rated highly satisfactory in Vietnam.

A varied picture thus emerges of PBAs' effectiveness in delivering results, depending on the country and the nature of the PBA. Examples from the Ethiopia program show positive results—at the higher end of the range of outcomes referred to in the paragraphs above. These examples also underlined the difficulty in demonstrating the effectiveness of CIDA's investments in PBAs. Two issues presented challenges: i) Results are long-term and PBAs are slow-moving because of slow and complex decision-making among donors and local government; and ii) attribution is difficult because CIDA is one of several donors and its financial contributions are proportionally modest. The CPE offered two summary observations:

At the level of national goals and development strategies, Ethiopia has made progress towards key MDG poverty indicators. Donors such as CIDA have contributed to these successes by co-financing the World Bank facility of Poverty Reduction Support Credits. Within sectoral programs, CIDA has contributed to both health and food security PBAs. Government reports on these programs do show encouraging output-level results which exceed targets. On the other hand, these PBAs often do not yet register longer-term outcome-level results. The exceptions are food security programs which show fewer reported food shortages following cash/food transfers to families at risk.

In Vietnam, CIDA contributed to GBS, through its co-financing of the PRSC program of the World Bank. The PRSC has enabled the government of Vietnam to make advances on needed reforms, some of which are still in progress, and increase its pro-poor spending in health and education. However, *the evaluations of GBS, cited by the CPE, cannot (yet) show a strong link between GBS and poverty reduction, the core of the original rationale for this modality*. Although Vietnam has reduced the prevalence of poverty in the society, if not inequality, how much of this is due to its success in the longer-term transformation of the economy (to which the PRSC has contributed) rather than the PRSC spending itself, is difficult to ascertain.

In a complementary effort, CIDA also contributed to the education sector in Vietnam through a SBS for the Education for All (EFA) initiative in primary education and a related Pooled-Fund initiative to improve access to primary education for disadvantaged children in some of the poorest areas of the country and the poorest segments of population. These two initiatives and a smaller prior investment in a Trust Fund have helped to strengthen the Ministry of Education,

effect changes to the broader education system, and enable Vietnam to stay on track to achieve the EFA objectives of universal primary education by 2010. While the number of schools and the number of children in schools have increased, the downstream poverty alleviation benefits from these schooling-related outputs will not be evident in the short term. Seeing the poverty effects from overhauling a society's education system, a difficult and time consuming challenge, will go beyond the 5-7 year life cycle of the PBAs.

### **The Effectiveness of PBAs: Evidence from International Experience**

International studies of PBAs' effectiveness show similar patterns. On the core issue of PBAs' intended impact of reducing poverty, the multi-country IDD study, and the Ghana and Tanzania studies of GBS all echo the conclusion noted in the example of Vietnam above: *it is difficult to establish a direct causal link between budget-support (PBAs) and poverty reduction at the national level.* The IDD evaluation elaborates this conclusion, its authors explaining that "country teams stressed the fallibility and limitations of available poverty statistics." Despite using a logic model with complex hypotheses of causality, the authors also cautioned against "too mechanical a relationship between PGBS inputs and poverty outcomes," citing the influence of long lead times and "the potential for exogenous factors to swamp the predicted effects of PGBS." (p. S7) As a result, "teams could not track distinct (separately identifiable) PGBS effects to the poverty impact level in most countries."

All this did not mean that PGBS does not have an effect on poverty, or that its effects are less than those of other modalities. (p. S7) The authors assert, correctly, that GBS is unique in supporting national poverty reduction strategies directly. Nevertheless this evaluation, drawing on ten years of experience in seven countries, could not demonstrate its effectiveness in advancing these strategies. The joint evaluation of GBS in Tanzania, from 1994 to 2005, observed that "the link to poverty reduction is indirect and necessarily long-term."<sup>36</sup>

The IDD study did identify successes in the *institutional effects* of GBS. It explored the effects of budget support on national systems of public financial management and expenditure, planning and budgeting, macro-economic performance, policy systems, and pro-poor service delivery. In these areas, the country studies demonstrated achievements. National budgeting systems benefitted from larger and more predictable revenue streams, for example, especially in the forms of funds for discretionary spending. These in turn enabled governments to increase their spending in areas aimed at reducing poverty, notably in improving health and education services. Indeed, the Ghana Multi-Donor Budget Support evaluation affirmed that GBS in that country has delivered important benefits in these areas, precisely where other aid modalities could not. GBS offered resources to the Government of Ghana which were both large and "fungible". The Tanzania evaluation of GBS nicely summarized this combination of limited discernible impact on poverty and evidence of immediate institutional benefits by asserting that the immediate benefits of GBS lie in the institutional improvements it fosters, and that in the longer term, it is these that may reduce poverty.<sup>37</sup>

The importance of scale within PBAs' effectiveness may be less straightforward than the GBS studies suggest. The extensive evaluation of the Education for All SWAp in 2003 (cited in Appendix 8), suggests that PBAs' benefits of scale bring an important trade-off in innovation. The lead evaluator of two country studies in that evaluation has argued convincingly that

<sup>36</sup> ODI & DAIMA, "Joint Evaluation of General Budget support – Tanzania, 1995-2004," p. 18.

<sup>37</sup> "Joint Evaluation of Multi-Donor Budget support in Ghana," p. 11; "Joint Evaluation of General Budget support – Tanzania," p. 15.

SWApS in Uganda and Zambia served to transfer substantial funds to expand existing systems—but that for supporting innovation and for channelling services to excluded groups, project modalities were more effective. This perspective mirrors an evaluation of a CIDA-funded literacy promotion project in Mozambique in 2006, linked by complementary logic to CIDA's support for the current education SWAp in that country.

In sum, the evidence from the CPEs, and from international experience to date, shows that the record of PBAS in reducing poverty is still unfolding, especially at the level of outcomes and impacts. This in turn puts a spotlight on future work, such as the current program of the OECD-DAC Network on Evaluation, of which CIDA is a member. Its development and application of the 2008 comprehensive evaluation framework examines precisely the questions of PBAs' poverty outcomes and impacts that other evaluations have so far not been able to answer.

The work of the DAC Network on Evaluation may show a way through the thicket of methodological complexities surrounding PBAs' effectiveness., but there is also a larger issue to be addressed: the capability of public institutions in host countries to assess PBAs' performance, whether on sectoral targets or national anti-poverty agendas. This issue points to the importance of working collectively with partner countries to support the development of national capabilities in monitoring and evaluation<sup>38</sup> so that public institutions in host countries can take the primary responsibility for doing so, as part local ownership and mutual accountability.

### 5.3 Sustainability

The criterion of *sustainability* entails assessing the continuation of the benefits of the PBA after development assistance has been completed. It turns on the financial, technical, and institutional capacity of the host government or organization to sustain the results of the PBA.

The CPE teams rated PBAs lower against this criterion than against any other. In all countries but one, Vietnam, PBAs were deemed to be no more than moderately satisfactory in their sustainability; in Vietnam, they were seen as satisfactory.

The CPEs' ratings of PBAs' sustainability rested on their assessment of core capabilities within the government of the host country, particularly its technical, managerial and financial capacity to maintain and enhance the program, and the results the program had achieved. In countries such as Ghana, Ethiopia, or Mozambique, where PBAs, and particularly GBS, have included a major investment in strengthening the managerial and administrative capabilities of central ministries of the national government—whether by use or by targeted support—the CPEs' ratings necessarily included an assessment of *potential* as well as actual capability, and hence of sustainability.

Both evaluations of multi-donor GBS in Ghana and Tanzania examined the likely durability of its results. Both emphasized the potential longer-term benefits of GBS, anticipating that the joint investment in government's institutional capacity, especially at the national level, would pay future dividends in the form of reduced poverty. Each study also highlighted the limited participation by citizens and parliaments in developing, implementing and monitoring the poverty

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<sup>38</sup> CIDA is able to draw on relevant programming experience here. Appendix 9 describes the precedent of the PARSEP project in West Africa.

strategies supported by GBS. In doing so, they broached the broader question of political inclusiveness and popular engagement, and hence the political dimension of sustainability.

Besides the financial and capacity constraints identified elsewhere in this report, there is the important aspect of the policy environment and the reforms, which the joint efforts through PBAs are trying to address. These are slow moving aspects that require commitment on the part of partner countries, and time and patience of all, if partner countries are to break the cycle of dependency and attract more external investments

## 5.4 Coherence

*Coherence* in this context refers to the consistency of CIDA's investment in PBAs in a given country, region, or sector, as well as the Agency's coordination of its interventions with those of other actors—government, other donors, and NGOs. The evaluation teams examined both *internal coherence*—the place of PBAs within CIDA's country program—and *external coherence*, the place of CIDA's support for PBAs within international assistance to the development agenda of the host country.

Generally speaking, CIDA staff are very well regarded by other members of the international community. The CPEs acknowledge the quality of CIDA's participation and leadership in coordinating forums and working groups to ensure external coherence, and the quality of its relationship with the agencies of the host governments. Several CPEs (Ethiopia, Ghana, Vietnam, and Mozambique) referred to the dedication and work of CIDA's staff in building and maintaining key relationships with both governments and donors.

Looking at the spectrum of Canadian assistance, CPEs noted that different channels—bilateral, partnership and multilateral—there were examples of complementarity in Mozambique and Bangladesh, where projects supported by Partnership funding may be scaled up as PBA inputs, but these are not commonplace.

Besides the mix of different types of PBAs (GBS, SBS and Pooled-Funds) in individual programs, bilateral desks have made good use of other complementary vehicles such as Technical Assistance projects within PBAs to strengthen the capacity of host government institutions, Trust Funds with multilateral partners (e.g WB in Vietnam) as entry points, and funding to CSOs (e.g BRAC in Bangladesh) to manage risks and deliver on expected results.

## 5.5 Efficiency

*Efficiency* addresses how economically a PBA converts resources such as money, expertise, and time into results. In a PBA, the close link between donor funds and the responsibility of the host institution for using those funds means that the assessment of efficiency has to take account of both the "supply" and "demand" sides of the development intervention.

The CPE assessments of PBAs' efficiency were all satisfactory, with GBS being considered somewhat more efficient than SBS or Pooled-Funding arrangements, because it requires a lesser level of effort and administration in relation to the large amount of funds involved. The CPEs assessed PBAs' efficiency as being slightly better than that of other modes, with GBS and Pooled-Funding PBAs being above the average of all delivery modes.

Several observations follow from the CPEs' assessments of the efficiency of CIDA's PBAs. The first is that the CPEs tend to assess efficiency mainly from the CIDA or "supply" side of the process, with much less scrutiny of the scale and type of transaction costs borne by host governments. The international experience noted below offers useful additional commentary on this issue.

The CPEs underscore the importance of a "strong field presence" for effective management of PBAs as they imply participation in policy dialogue on major sectors requiring specialist expertise (such as public sector reform, education, health, and agriculture and rural development). Thus, having the people with the right mix of skills and expertise is a key.

Two points stand out from the international experience with the efficiency of the GBS modality. The first is that the transfer and administration of discretionary funds is more efficient via GBS than by any other modality as "economies of scale" can be realized when sizeable amounts are transferred promptly to a government's treasury, as part of the national budget cycle. The Ghana MDBS study makes clear the government's view on this point, for example, and other studies reinforce it.<sup>39</sup>

The transaction costs for both host organizations and donors remain high in other aspects of GBS: in the negotiation of partnership accords during design and planning, the heavy demands of coordination mechanisms, monitoring and evaluation, and in policy dialogue, which are an integral part of a complex PBA relationship. The experience of host countries with SBS and sectoral Pooled Funds tends to reinforce this point.

Some evaluations, such as those of the Ethiopia, Mozambique and Bangladesh programs, note the potential to negotiate division of labour arrangements among donors. There are also examples of *de facto* cooperation, where CIDA delegates its participation in a working group to another donor; similarly, CIDA has considered "silent partner" status for its support to sectoral PBAs. Some observers were sceptical of donors' readiness to embark on multi-party negotiations which may limit their prerogatives of choice—or indeed of governments' ability to lead such negotiations.

## 5.6 Management Principles of the Paris Declaration

The criterion of *adherence to the management principles promoted by the Paris Declaration* is necessarily composite. The CPEs assessed PBAs against the ownership and leadership shown by developing countries, as well as donors' practice of alignment.

Because PBAs are the preferred programming mode of the Paris Declaration, an observer might expect that PBAs would be rated higher on these principles than other modes of development assistance. The PBAs in these evaluations are rated as satisfactory in their embodiment of these principles, with GBS at the high end of satisfactory. Yet, in the CPEs, PBAs as a group are not markedly more faithful to these Paris principles than other modes.

Several CPEs reviewed noted the tendency to equate "ownership" with governmental institutions as opposed to a broader societal view. The Accra Agenda for Action, and Canada's leadership in that, would suggest that CIDA could consider playing an active role in identifying

<sup>39</sup> "MDBS in Ghana," p. 52; *Enhancing Aid Relationships in Tanzania*, Executive Summary. The IDD evaluation notes that, where GBS has increased discretionary funding, public expenditure systems show clear gains in operational efficiency. (p. S5)

best practices to engage civil society organizations in the debate about the design, implementation and monitoring of PBAs.

The international experience offers a range of analyses of PBAs' treatment of the Paris principles of national ownership, alignment, and harmonization. The Evaluation of the implementation of the Paris Declaration offers a usefully cautionary analysis of progress made on harmonization and alignment. Its country studies show a high level of commitment in policy statements by both donors and southern governments to the use of common procedures (harmonization). The practical commitment, on the other hand, is "a very mixed picture."

Two issues have surfaced. First, the 66% target for common arrangements is "one of the most prominent and debated challenges" noted by the country evaluations. Secondly, there is a tendency to interpret harmonization to mean budget support. In this controversial context, institutional obstacles arise as well. Nearly half of the donors consulted cited "serious formal restrictions, de facto political vetoes, and/or major institutional obstacles to entering into such common arrangements." For this reason, even those countries at the forefront of PBAs "do not report any marked acceleration in their use."<sup>40</sup> Beyond such issues, data problems create other difficulties in assessing progress on this principle. Donors may use different categories for tracing their commitments, and countries may not have the necessary information or capacities to analyze donors' arrangements.

Also, there is no common practical understanding of what constitutes a PBA. CIDA has a definition, linked to that of the DAC, but not every DAC member uses this definition. CIDA and the DAC identify four key features of PBAs: i) leadership by a host country or organization; ii) a single comprehensive program and budget framework; iii) a formalized process for donor coordination and harmonization of procedures; iv) and efforts to increase the use of local systems for program design and implementation. Yet, all of these dimensions are *more or less* measures; none will be wholly present in or wholly absent from a PBA. For CIDA staff to use these in designating a development initiative as a PBA, and hence relevant to the Paris principles, each dimension needs a *threshold of adequacy*, a bar of "PBA-ness", as it were. A user also needs to know if *all four* thresholds must be crossed to "qualify" a PBA. Clarity on this core conceptual and definitional issue will help CIDA staff work with the strategic and operational aspects of PBAs.

## 5.7 Cross-Cutting Issues

The intent of this criterion is to assess the extent to which PBAs address *cross-cutting issues*, particularly gender equality and the environment, as well as other issues that may be defined by the country program.

The CPEs assessed the performance of PBAs on cross-cutting issues such as gender equality, the environment, or HIV/AIDS, as moderately satisfactory to satisfactory—better than their performance against sustainability, but less so than their middling performance on effectiveness in producing results. Occasional PBAs, such as two Pooled-Funding arrangements in Bangladesh, are rated at the maximum, but these are exceptions to the overall trend. Situations vary greatly.

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<sup>40</sup> *Ibid.*, p. 19. CIDA's trend, described in Section 2.2, may be an exception. The Agency was not one of those assessed in the evaluation.

Comparable patterns emerge in the international experience. The reports of the evaluations reviewed here for the most part do not address cross-cutting issues in any depth, and sometimes not at all. The evaluations and the PBAs they addressed in this respect mirror a broader issue identified by members of the Association for Women's Rights in Development (AWID), that the Paris Declaration is deficient on gender equality and women's rights.<sup>41</sup> Gender equality is addressed in the evaluation GBS in Ghana, which notes that gender inequality is part of both national and sectoral policy dialogue. This issue figures in the evaluation as an aspect of the broader question of the social effects of budget support, and of the (limited) extent of citizens' participation in the design, implementation and review of poverty strategies and programs. In all these evaluations, however, an assessment of the gender dimensions of national budgets never appears.

The conclusion to be drawn from this survey of evidence of practice is that cross-cutting issues have not been a priority in the design and implementation of PBAs.

In this conclusion lies a challenge for CIDA: how important for the Agency is the priority it attaches to questions such as gender equality or the environment? The evidence suggests that attention to such issues within PBAs will not "just happen". If CIDA want to pursue the inclusion of cross-cutting issues within PBAs, it will need to consider dedicating the human and financial resources accordingly.

## 5.8 Performance Management and Monitoring and Evaluation

This multi-layered criterion examines PBAs from the point of view of *performance management and monitoring and evaluation*, requiring the evaluation teams to assess the quality of PBAs' frameworks for results and risk management, as well as plans and activities in (joint) monitoring and evaluation. These systems are also important supports for the Paris Declaration principle of *mutual accountability*, as they provide the tools for tracking and evaluating progress.

Across the country programs, PBAs' were rated as satisfactory, and marginally better than that of other modes. The ratings are similar in Bangladesh, Ethiopia, Malawi and Mozambique, and slightly better than other modes in Vietnam. The Programs have made prudent choices on the use of different types of PBAs in settings where they make sense, based on up-front due diligence and risk analysis (e.g not using GBS in Bangladesh), and managed the risks by making appropriate adjustments when the balance of risks changed (e.g discontinuing GBS in Ethiopia in favour of other delivery modes). In Vietnam, the decision to work with other donors through the World Bank on the GBS, and easing into SBS in education after smaller investments through the complementary vehicle of Trust Funds, are other examples of the prudent approach taken. Finally, the CPEs note the existence and effective use of performance frameworks for PBAs (e.g performance triggers and policy actions in GBS, and results targets for SBS and Pooled-Funds) as tools of performance management, oversight and accountability for use by in-country mechanisms for joint annual reviews.

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<sup>41</sup> Cecilia Alemany, Nerea Craviotto, and Fernanda Hopenhaym, with Ana Lidia Fernández-Layos, Cindy Clark and Sarah Rosenhek, "Implementing the Paris Declaration: Implications for the Promotion of Women's Rights and Gender Equality," paper prepared for the Canadian Council for International Co-operation (Ottawa: January 2008).

Our findings from the CPEs are supported by the findings of the internal audit of the Agency's management practices for PBAs by CIDA's Office of the Chief Audit Executive.<sup>42</sup>

The audit concluded that "the elements of the management control framework for CIDA's Program-Based Approach... are well managed, effective and sustainable," but require minor improvements. The audit assessed the management framework for each PBA funding modality, including internal controls, and the monitoring systems, practices and processes used by CIDA. It covered 11 PBAs spread across 7 countries, three of which - Ethiopia, Ghana and Vietnam - were the subject of CPEs. The PBAs audited included two GBS and three SBS initiatives, five Pooled-Funding PBAs, and one project.

Evaluations of international experience give limited attention to the multi-faceted issue of performance management and monitoring and evaluation. The Evaluation of the implementation of the Paris Declaration acknowledged this relative lack of attention to the topic, and thus the limited progress on it. The Evaluation judged this to reflect both capacity problems in developing countries and a lack of confidence that standard results-based approaches are well suited to their circumstances.

A recurrent theme is the undeveloped *capacity of public institutions in developing countries to monitor and evaluate PBAs (and investments in general)*—to assess the quality of their design, to track their contribution to national and sectoral development plans, to monitor their implementation, and to evaluate them. This is an essential tool for accountability among the partners as well as domestic accountability between governments and their citizens.

In that context, an important consideration for CIDA and the partners is how best to strengthen the capacity of partner country institutions to monitor and evaluate development investments assistance, including PBAs, to feed into the in-country joint mechanisms for review and oversight.

The Agency can draw on its experience in joint undertakings to identify models, such as the Independent Monitoring Group in Tanzania, an experiment well known to Canadian development practitioners. In Mozambique, the government has provided support to the Poverty Observatory, a monitoring body grounded in civil society but benefiting from both funds and political space afforded by public authorities. The Mozambique Joint Review monitoring process, of which CIDA is a member, is a possible model for other countries. Vietnam has also established a Joint Review system. In Ethiopia, CIDA has used its "Other PBA" mechanism to invest \$750,000 in local monitoring capacity via the "Protecting Health and Accountability" project.

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<sup>42</sup> CIDA, Office of the Chief Audit Executive, "CIDA's Management Practices for Program-Based Approaches," Internal Audit Report, Gatineau, November 2008.

## 6. Conclusions, Corporate Considerations and Recommendations

### 6.1 Conclusions

PBAs and the international aid-effectiveness agenda have had a strong influence on CIDA's bilateral programming. These changes—the closer alignment to national priorities of partner countries as expressed in their PRSPs and sector plans, for example, and the related dialogue on sectoral and national strategies, more systematic coordination with other donors, the investment in diverse joint funding schemes with partner countries and other donors, and joint evaluations—embraced not only the newer modalities of PBAs, but also the way CIDA used “traditional” project instruments. Managers of the various programs adopted an approach which took advantage of a mix of delivery modes ensuring their bilateral investments fitted closely with national priorities and complemented national systems.

Although the Agency has been involved in PBAs over the last ten years, the scale up has been relatively recent and the Agency's experience is still new. Many of the 26 PBA initiatives in the 6 countries covered by this Review are still on-going. And while it would be premature to make definitive conclusions about the results being achieved, the early indications are encouraging.

Different PBA instruments show different strengths: beside the added financial resources, contributions through GBS are allowing CIDA and other donors to dialogue with partners countries and influence the shape of needed national-level reforms of financial systems, strengthening public financial management and leading to resources allocation shifts towards anti-poverty expenditures. Benefits also include capacity strengthening of partner country institutions through learning by doing in the process.

While the primary benefits of GBS have been intermediate and institutional at the national level, SBS and Pooled-Fund initiatives are proving to be beneficial for poverty reduction at the sub-national and sectoral levels, through sectoral policies and plans, system-wide improvements at these levels, capacity strengthening of line ministries through learning by doing opportunities for staff of these institutions, and service delivery at the level of citizens in areas such as education, health, and food security and agriculture. We have also seen the synergistic and complementary benefits of combining different types of PBAs and complementing them with TA and/or traditional projects in the education sector in Vietnam.

On the management side, Agency managers have made good decisions about when and where to use the different types of PBAs, based on up-front due diligence and risk analysis. For example GBS was not used in Bangladesh, where the risks of corruption persist at high levels. Managers have also made mid-course adjustments when needed or the balance of risks turned unfavourable, as in the case with Ethiopia, where GBS was discontinued in favour of other types of PBAs and delivery modes. Good use was also made of in-country mechanisms, such as local coordination groups and annual joint reviews, which allow for performance monitoring, oversight and accountability.

Looking ahead significant challenges remain. The results being achieved sometimes fall short of what was planned, partly due partly to over-ambitious expectations, partly to the scale and complexity of the initiatives, and partly to local capacity constraints, among other things. There continues to be challenges with sustainability of the benefits. Besides the financial and capacity constraints, there is the important aspect of the policy environment and the reforms, which the joint efforts through PBAs are trying to address. These are slow moving aspects that require

time. Finally, there are the challenges with integrating important cross-cutting issues, such as gender and the environment, into PBAs, and ensuring that transaction costs for both the partner countries and the donors remain reasonable.

But PBAs are new tools and the story is still unfolding. The analysis suggests that things are moving in a good direction. The development results to date from the PBAs examined are of a significant scale and nature. It is doubtful that they could have been accomplished through traditional means of project funding. PBAs complemented by traditional projects likely hold the greatest promise for better development results.

## 6.2 Corporate Considerations and Recommendations

Through this Review and the previous CPEs, a number of areas where the Agency could effect improvements have been identified. These include, for example, the need to: strengthen field presence, re-examine the delegated authority to the field, examine the skills mix of field staff, strengthen cross-Agency coherence in programming, and improve the speed of approvals and inefficiencies in the process. Initiatives are already under way to address these as a result of actions being taken in response to the recommendations made in the individual CPEs, or the Internal Audit of PBAs by CIDA's Chief Audit Executive, or the Fall 2009 Report of the Auditor General. Some of these actions are also reflected in the Agency's Aid Effectiveness Action Plan (shown in Appendix 10), and the Agency's recent Business Modernization Initiative. As a corporate consideration, therefore, recommendations in these areas will not be duplicated in this report. Instead, the recommendations below will focus on areas not previously covered.

### **Strengthening Performance Management and Monitoring & Evaluation Capacity of Partner Institutions**

The country program evaluations, as well as work from international joint evaluations, highlight weaknesses of host countries in performance management, monitoring and evaluation. These functions are important in the provision of information needed by the in-country joint mechanisms for oversight and mutual accountability, such as joint annual reviews, to monitor and assess the progress of development investments, including PBAs. Given the importance of these functions, ways need to be found to strengthen the capacity of public institutions in host countries to better provide the needed information. This is not only a challenge for CIDA but for all the partners, including the host country.

**Recommendation:** It is recommended that CIDA Country Programs work with other development partners in the country to identify ways for strengthening the performance management, monitoring and evaluation capacities of institutions in partner countries as part of their programming strategies.

**Recommendation:** It is also recommended that the monitoring and evaluation components of the Agency's Operational Guide to PBAs be updated to better reflect the joint responsibility and mutual accountability for results achieved in partnership with others.

### **Getting a better handle on transaction costs associated with PBAs**

The importance of strengthening CIDA's field presence and technical/sectoral expertise in order to improve efficiency and effectiveness of its programming in partner countries, including PBAs, has been raised in the CPEs and is already being addressed by the Agency through other

initiatives. In the discussion of efficiency, it became evident that the nature of the work and the level of effort associated with PBAs have changed significantly from traditional projects, and that transaction costs associated with PBAs are a complex and multifaceted issue that needs to be looked at from different perspectives. The international evidence on transaction costs is mixed. There are some indications that transaction costs at CIDA relating to programs with PBAs may be favourable compared to traditional programs, but this bears further analysis.

**Recommendation:** It is recommended that the Agency conduct an analysis of the transaction costs associated with PBAs, looking both at different kinds of PBAs and how costs compare against traditional project programming.

### **PBAs and Cross-Cutting Issues**

The review of PBAs' performance on cross-cutting issues, which are a priority for CIDA, shows that they have been barely satisfactory. Despite major efforts and some noticeable achievements, gender equality and the environment have not been adequately mainstreamed in PBAs.

**Recommendation:** It is recommended that CIDA Programs continue to work with other partners, in the context of their respective country programming, to identify ways of better mainstreaming cross-cutting issues such as gender and environment in PBA programming.

### **Improving the Agency's data on PBAs**

The definition of PBAs and the quality of CIDA's data, including inconsistent categorization and financial coding of the different types of PBAs, surfaced as an issue in the course of conducting the Review. The need to maintain an up-to-date list of CIDA's PBA portfolio was also seen as helpful for future use, given the materiality of PBAs within the Agency. While the new PBA Policy, with clearer definitions of the types of PBAs, goes a long way in addressing this issue, the complexity of PBAs poses the risk of inconsistent application of the definitions and coding of the financial information across programs.

**Recommendation:** It is recommended that the Agency take steps to improve the quality of its data on PBAs, and maintain an up-to-date list of its PBA portfolio.

## Appendix 1 – Definitions of PBAs and their Modalities

<b>1. OECD - DAC Definition</b>
<p>Program-based approaches have been defined by the Learning Network on Programme Based Approaches (LENPA) as a way of engaging in development cooperation based on the principles of coordinated support for a locally owned program of development, such as a national development strategy, a sectoral program, a thematic program or a program of a specific organization. Program-based approaches share the following characteristics: a) conduct assured by the host country or organization; b) single detailed budgetary and program framework; c) existence of a formalized process for coordination among donors and harmonization of procedures among donors in terms of notification, budget, financial management and contracting; d) efforts to develop the use of local systems in the design and implementation of programs, financial management, monitoring and evaluation.</p>
<b>2. CIDA's Definition</b>
<p><b>Features that <i>must</i> exist in a PBA</b></p> <ul style="list-style-type: none"> <li>✓ Leadership by recipient country or organization;</li> <li>✓ A single comprehensive program and budget framework;</li> <li>✓ A formalized process for donor coordination and harmonization of donor procedures for reporting, budgeting, financial management and procurement; and</li> <li>✓ Efforts to increase the use of local systems for program design and implementation, financial management, monitoring and evaluation.</li> </ul>
<p><b>Examples of types of programs supported by PBAs</b></p> <ul style="list-style-type: none"> <li>✓ Support for a national development strategy, typically a national program or the poverty reduction strategy;</li> <li>✓ A sector program, normally organized around a sector such as the education, health or agriculture strategies of a developing country;</li> <li>✓ A thematic program, for instance, an HIV/AIDS program; or</li> <li>✓ A program of an organization.</li> </ul>
<p><b>Modalities</b></p> <p><b>Budget Support</b> is a method of financing a partner country's budget through the transfer of resources from an external financing agency to the partner country government's national treasury. The funds thus transferred are managed in accordance with the recipient's budgetary procedures.</p> <p>A further distinction exists between general and sector budget support:</p> <p><b>General budget support</b> involves a general contribution to the recipient country's overall budget where policy dialogue between donors and the partner country government is focused primarily on overall policy and budget priorities.</p> <p><b>Sector budget support</b> (Appui budgétaire sectoriel) is financial aid earmarked to discrete sector(s) or area(s) of activity. Policy dialogue is focused primarily, but not exclusively, on specific sector concerns.</p> <p><b>Pooled funds</b> typically use a special arrangement negotiated with donors and government. It involves a certain degree of donor control or oversight, as financial reporting is expected to show how the pooled funds were used. It is considered sector budget support if the money is transferred into the partner country government's account to be mixed with domestic resources and used according to normal national procedures.</p> <p><b>Delegated cooperation and trust fund</b> is a method whereby CIDA channels funding to a developing country government through another donor who will take on the responsibility of executing the PBA initiative, on behalf of CIDA (and other co-donors).</p> <p><b>Other PBAs:</b> cover <i>projects, including technical assistance</i>, carried out under PBAs and characterized by the adoption of a more collaborative approach to decision-making, increased efforts to align with recipient country priorities and systems, and increased attention to higher level results.</p>

## Appendix 2 – Performance Criteria for PBAs

(Source: “Draft Generic Terms of Reference for Country Program Evaluation [CPE]”, Evaluation Directorate, SPPB, CIDA, November 2008)

<p><b>What Has Been Achieved?</b></p> <ul style="list-style-type: none"> <li>• Relevance (1): The extent to which the objectives of the development intervention are consistent with country needs donor policies, and global priorities;</li> <li>• Effectiveness/Results (1): The extent to which the development intervention’s objectives were achieved or are expected to be achieved, taking into account their relative importance;</li> <li>• Sustainability (1): The continuation of the benefits from development intervention after major development assistance has been completed.</li> </ul>
<p><b>Why and How Were the Intended Results Achieved or Not?</b></p> <ul style="list-style-type: none"> <li>• Coherence: Consistency of development interventions in a given sector, region or country, as well as coordination among development actors including governmental, nongovernmental and international organizations;</li> <li>• Efficiency (1): A measure of how economically resources/inputs (fund, expertise, time, etc) are converted to results.</li> </ul>
<p><b>What Were the Management Results and Principles?</b></p> <ul style="list-style-type: none"> <li>• Management principles (2): In relation to the principles of ownership, alignment and harmonization as defined in the Paris Declaration;</li> <li>• Cross-cutting issues: In relation to gender equality, environment and other cross-cutting theme that the program may have established;</li> <li>• Performance Management (1) / Monitoring &amp; Evaluation: A management strategy focusing on outputs, outcomes and impacts including the monitoring/evaluation functions</li> </ul>
<p>(1) From: DCD-DAC, Glossary of Key Terms in Evaluation and Results-Based Management, OECD                  (2) From: OECD/DAC, Paris Declaration on Aid Effectiveness, OECD, Paris, March 2005</p>

## Appendix 3 – Project Summary Evaluation Grid

(Source: CIDA/Evaluation Directorate, “Terms of Reference for the Synthesis Report: Review of the PBAs including Budget Support interventions at CIDA”, Gatineau, October 2009.)

Project #	Highly satisfactory (4.1 to 5)	Satisfactory (3.1 to 4)	Moderately satisfactory (2.1 to 3)	Unsatisfactory (1.1 to 2)	Very Unsatisfactory (0 to 1)	Not Demonstrated
1. Relevance						
2. Effectiveness / Results						
3. Sustainability						
4. Coherence						
5. Efficiency						
6. Management Principles						
7. Cross-cutting Issues						
8. RBM/Monitoring & Evaluation						

## Appendix 4 – Issues and Key Questions at Program and Project Levels

Source: CIDA, Evaluation Directorate, Generic TORs for CPEs, 2009

Following is a summary of the issues to be examined by the evaluation teams in assigning ratings to the different projects, against the performance criteria

Issues	Program Level – Criteria	Project Level – Key questions
1. Relevance	Overall relevance of the program within the development context.	<ul style="list-style-type: none"> <li>• In relation to CIDA poverty reduction and sustainable development policies</li> <li>• In relation to the country's development plans (PRSPs)</li> <li>• In relation to CIDA's Strategic Development Framework</li> </ul>
2. Effectiveness/ Results	Overall contribution of the program to poverty reduction	<ul style="list-style-type: none"> <li>• In relation to poverty reduction</li> <li>• In relation to sector objectives</li> <li>• In relation to gender equality</li> <li>• Cost /effectiveness per result unit</li> </ul>
3. Sustainability	Assessment of aid dependence	<ul style="list-style-type: none"> <li>• Time needed to attain the results</li> <li>• Institutional capacity to maintain the results</li> <li>• Financial capacity to sustain the results</li> </ul>
4. Coherence	Overall coherence of the program including policy dialogue and leadership played by Canada	Internal coherence of the program: <ul style="list-style-type: none"> <li>• Within the context of Canadian cooperation</li> <li>• Within the context of International efforts</li> <li>• In relation to Canadian Objectives abroad</li> </ul>
5. Efficiency	<ul style="list-style-type: none"> <li>• O&amp;M/G&amp;C compared to other programs in the region</li> <li>• Benchmarking with other donors (staff, O&amp;M costs, decision making)</li> <li>• Strengthened field presence (TBD)</li> <li>• Knowledge related activities</li> </ul>	<ul style="list-style-type: none"> <li>• Costs efficiency of projects and various delivery mechanisms:                             <ul style="list-style-type: none"> <li>○ Efficiency in the use of human resources</li> <li>○ Efficiency in the use of financial resources</li> <li>○ Time needed to approve, manage, and monitor various delivery mechanisms</li> </ul> </li> </ul>
6. Management principles	Overall use of the Paris Declaration management principles at the program level	<ul style="list-style-type: none"> <li>• Ownership</li> <li>• Alignment</li> <li>• Harmonization</li> </ul>
7. Cross-cutting issues	Gender equality and environment as cross-cutting themes within the program	<ul style="list-style-type: none"> <li>• Gender equality</li> <li>• Environment</li> <li>• Other</li> </ul>
8. Performance management / Monitoring and Evaluation	CIDA monitoring and evaluation activities at the program level Mutual Accountability	<ul style="list-style-type: none"> <li>• Management for results</li> <li>• Risk management</li> <li>• CIDA monitoring and evaluation activities at the project level</li> <li>• Joint monitoring and evaluation activities</li> </ul>

### Appendix 5A – CPE Samples by Delivery Mode and Country

Delivery Mode		B1 Bilat Dir.	B2 Bilat Resp.	B3 GBS	B4 SBS	B5 PF	P1 P/ship	M1 M/lat	Totals
Country Program		#	#	#	#	#	#	#	#
1	Bangladesh	6	16		3	13	1	1	<b>40</b>
2	Ethiopia	8				4	2	4	<b>18</b>
3	Malawi *	4	1			2			<b>7</b>
4	Mozambique	3	6	2	5	1	2	3	<b>22</b>
5	Vietnam	13	6	2	3	1	6		<b>31</b>
<b>Totals</b>		<b>34</b>	<b>29</b>	<b>4</b>	<b>11</b>	<b>21</b>	<b>11</b>	<b>8</b>	<b>118</b>

**Delivery Modes/Mechanisms:** B-1: Bilateral directive; B-2: Bilateral responsive; B-3: General Budget Support; B-4: Sector Budget Support; B-5: Pooled Funds; M-1: Multilateral responsive; P-1: Partnership responsive. These categories are further explained in Appendix 7

\* Please take note that the Malawi CPE included a sample of 18 projects, seven were rated based on the proposed quantitative rating scale.

### Appendix 5B – Summary of Scores by Delivery Mode and Criteria

Delivery Mode	Count	Relevance	Effectiveness / Results	Sustainability	Coherence	Efficiency	Paris Decl. Management Principles	Cross-Cutting Issues	Monitoring & Evaluation	Avg
B1	34	4.3	3.3	2.7	3.3	2.8	3.4	3.2	3.5	<b>3.3</b>
B2	29	4.3	3.8	2.7	3.5	3.2	3.6	3.4	3.5	<b>3.5</b>
B3	4	4.5	3.3	3.0	4.5	4.0	4.0	3.0	3.8	<b>3.8</b>
B4	11	4.3	3.3	2.6	3.6	3.2	3.5	3.1	2.9	<b>3.3</b>
B5	21	4.5	3.5	3.0	3.6	3.8	4.0	3.3	3.8	<b>3.7</b>
M1	8	4.9	3.6	2.9	3.7	2.9	3.7	3.5	3.2	<b>3.5</b>
P1	11	4.2	3.6	3.5	3.1	3.3	3.5	3.8	3.2	<b>3.5</b>
<b>Avg.</b>	<b>118</b>	<b>4.4</b>	<b>3.5</b>	<b>2.9</b>	<b>3.6</b>	<b>3.3</b>	<b>3.7</b>	<b>3.3</b>	<b>3.4</b>	<b>3.5</b>

**Key for Delivery Modes/Mechanisms:** B-1: Bilateral directive; B-2: Bilateral responsive; B-3: General Budget Support; B-4: Sector Budget Support; B-5: Pooled Funds; M-1: Multilateral responsive; P-1: Partnership responsive. These categories are further explained in Appendix 7

### Appendix 5C – CIDA PBAs by Category of Countries 1999/2000 to 2008/2009 -

	Total Budget			Disbursement - as of Nov. 18, 2009
	Budget	of which		
		GBS/SBS	Pooled Fund/Others	
Fragile Countries and Crisis-Affected Communities	\$942,150,000.00	\$766,750,000.00	\$175,400,000.00	\$661,650,000.00
Low-income Countries and Middle-income Countries	\$3,560,085,291.04	\$1,549,415,000.49	\$2,010,670,290.55	\$1,827,078,067.71
Modest Presence Countries	\$613,251,218.08	\$35,760,000.00	\$577,491,218.08	\$398,884,337.40
<b>Total</b>	<b>\$5,115,486,509.12</b>	<b>\$2,351,925,000.49</b>	<b>\$2,763,561,508.63</b>	<b>\$2,887,612,405.11</b>

## Appendix 6 – PBA Success Stories: Effective action for development in Bangladesh, Ethiopia, Mozambique and Vietnam

### **CIDA and the BRAC Education Program (BEP): A Bangladesh Success Story**

BRAC (Building Resources Across Communities) is one of the world's largest non-governmental organizations. Headquartered in Bangladesh, it manages programs of complexity and size in that country as well as elsewhere in Asia and Africa. One of its principal initiatives in Bangladesh is the BRAC Education Program (BEP), which is financed through a PBA Pooled-Funding mechanism. This PBA includes the participation of CIDA, DFID, NOVIB (Oxfam Netherlands), the Royal Norwegian Embassy, and the Royal Netherlands Embassy. For the period 2004-2009, this consortium provided US\$129 million of the US\$134 million budget, over 96% of the total. The remaining funds came from BRAC itself, from income that was self-generated. Other donors that were not part of the consortium also contributed to many of BEP's activities, but their funds were often directed towards specific initiatives rather than to BEP as a whole. UNICEF and NIKE are examples of such contributors. (Source: BRAC Website)

CIDA has a long history of cooperation with BRAC. The Agency supported BRAC indirectly in the 1970's, via program grants to Canadian NGOs working directly with BRAC. Its direct support to BRAC began in the 1980s. CIDA's bilateral program in Bangladesh has included assistance to other NGOs as well.

CIDA contributed C\$24,850,000 to BEP for the years 2005–2009. BRAC has provided better access to quality non-formal education for 1.3 million children in poor areas of Bangladesh. These are children who have dropped out of formal school or who have never attended school. The students, sixty-five per cent of whom were girls, included 55,000 children from ethnic backgrounds and children with disabilities.

The program included pre-primary and primary schooling; adolescent development; in-service teacher training; and curriculum and learning materials development. Primary school curriculum and learning materials have been developed to be gender-sensitive and inclusive of poor and ethnic minorities and children with special needs. (CIDA Bangladesh web site). BEP also operates 43 Government of Bangla-desh community schools, giving access to education to almost 7700 students (54% girls), while enhancing dialogue and collaboration between BRAC and the formal education system.

The program-based approach used for funding BEP ensures that there are harmonized progress reports to consortium members, common audits, common semi-annual reviews and Mid-Term Reviews.

Complementing its assistance to BEP, CIDA has also supported BRAC's pre-primary education and adolescent empowerment programs. Its reading centres have created a safe environment where girls can maintain and improve literacy levels and receive education in life skills. (UNICEF)

### **Practical Achievements from Sector Budget Support in Ethiopia—Protecting Basic Services (PBS)**

The PBS packaged the delivery of basic government services in multiple sectors (health, education, agriculture, and water) into one holistic program. Its ultimate purpose was to strengthen Government of Ethiopia systems at sub-national levels so that the rural poor would have better access to all basic services. The overall PBS program included four components:

1. Financing basic service delivery;
2. More reliable accessing of basic health commodities;
3. Improved transparency and accountability in the use of public funds for basic services;
4. Improved social accountability to public demand for basic services.

CIDA supported the second and fourth components of PBS. Together, PBS and multilateral investments in Ethiopia have contributed to improvements in health indicators in the following areas:

- 1.5 million malaria nets contributed by CIDA (of about 20 million total) resulting in 26% fewer malaria cases in the past two years;
- 63% fully immunized children against 20% fully immunized two years ago;
- 81% partial vaccination coverage;
- 51% contraceptive prevalence rate against 36% two years ago;
- 90% coverage of vitamin A supplementation twice a year.

In a PBA, it is a challenge to attribute results directly to CIDA. However, CIDA's leadership role in coordinating the design, planning and negotiation of PBS with other donors and the Ethiopian Government, at a time of considerable political volatility and uncertainty, cannot be underestimated. While Canada's policy directive of maintaining transactional distance with the Ethiopian Government limited CIDA's participation in financing basic service delivery (Component 1) and improving transparency access (Component 3) of PBS, the Agency played an instrumental role in supporting the design of Component 1 and bringing Component 4 on-stream. Initially, the Ethiopian Government was reluctant to accept C4 as a complement to C3, because of the involvement of civil society in the delivery of a public sector program.

As a result of negotiation with donors such as CIDA, the Government of Ethiopia not only supported implementation of the pilot projects under C4, but also negotiated doubling the size of the initiative. Two demonstration projects and twelve pilot projects have been implemented by 47 CSOs in the sectors of health, education, agriculture, and water and sanitation. These pilot projects have spanned six regions and about 100 districts.

Source: Ethiopia CPE, 2008.

### **The Joint Review (Donor / Government) Process in Mozambique**

The Joint Review Process is a sophisticated process put in place by the Government of Mozambique (GoM) in collaboration with the donor community. It exists to ensure the follow-up and monitoring of the government's Poverty Reduction Strategy (PARPA I & II) and the related Performance Assessment Framework (PAF). Established in 2004, its schedule coincides with GoM's fiscal year. The coordination of donors is accomplished through a complex organizational structure with meetings scheduled to coincide with the Joint Review Process. The fora for dialogue include:

- Heads of Mission play a key role in the aid architecture in Mozambique.
- Heads of Cooperation meet monthly to discuss performance against the PAF and the commitments of the Program Aid Partners.
- A "Troika plus" group, consisting of the previous, present and future chairpersons of the group of Program Aid Partners, plus the European Commission and the World Bank.
- Working groups active throughout the year on specific aspects of policy (28 at the time of the 2009 Annual Review and an additional 39 working sub-groups). Most have two co-leaders, one from each of the government and the donors.

The Program Aid Partners (PAP) dialogue system is open to the G-19 donors that provide general and/or sector budget support. Since 2009, two major donors, the United States and Japan, have held observer status and collaborate with the group, coordinating aspects of their aid and participating in some working groups without contributing to GBS. Other donors such as China (US\$70 million in 2007) remain outside the PAP structure.

Every year, an Aide Memoire is issued stating the level of progress accomplished in the different areas and sector of activity of the PARPA. As part of the Joint Review, there is also an assessment of the performance of each donor. This is based on twenty indicators corresponding to four key objectives:

i) Portfolio composition ii) Predictability; iii) Harmonization and alignment; iv) Capacity strengthening.

The data-gathering portion of the CIDA-Mozambique CPE took place in March 2009, when the various working group and sub-groups of the Joint Review were drafting their conclusions which would serve as a base for the 2009 Aide-Memoire, the final statement issued each April by the GoM and the PAP.

The Evaluators were of the opinion that the Joint Review is a complex and sophisticated monitoring process that may be considered by the international community as an example of “best practice” in the donor-partner country relationship. The Paris Declaration Survey in 2008 rated Mozambique highly on the “Managing for results” criterion, partly for that reason. The Evaluators also suggested, however, that ways and means could be found to ensure that transaction costs be saved for both the GoM and the donor community—they are implementing a very complex process with multiple components. They also suggested that “complementary and more rigorous and independent activities be put in place to evaluate development interventions in Mozambique.”

Source: Mozambique CPE, 2009

### **Effective General Budget Support in Vietnam CIDA's Contribution to Poverty Reduction Support Credits (PRSC)**

In 2000 the World Bank announced a new credit policy. It would provide general budget support to low income countries that had a strong set of institutions and policies to promote development, and that produced and adopted a Poverty Reduction Strategy Paper (PRSP). The new support instrument, the Poverty Reduction Support Credit, would not be earmarked to specific projects or expenditure items and would not be conditional in the traditional sense. The “Joint Evaluation of General Budget Support 1994-2004,” undertaken by the IDD (U.K.) on behalf of the DAC, concluded that the PRSC had supported pro-poor spending and had provided an incentive for the Government of Vietnam to keep reforms on track.

**CIDA's Contribution to the PRSC** – A little over half of the PRSC funds has been provided by the World Bank/IDA, with the remainder coming from other donors, including CIDA. CIDA has contributed \$35.5 million to PRSCs 3 to 7, approximately 5% of the amount provided by co-financiers other than the World Bank, or 2.5% of the program total. “The rationale for CIDA's co-financing of the PRSC has more to do with a desire to contribute to the reform process and enhance aid effectiveness than with the relative size of its financial contribution.” (CIDA Vietnam, Project Approval Document 2007)

CIDA has been active in the overall joint donor process and has participated in several working groups. The PRSC provided an outlet for advice from CIDA's technical assistance projects in Vietnam and thus increased in its influence in policy dialogue. Several factors affect CIDA's impact through the PRSC. These include its credibility as a disinterested aid donor, its engagement, and its ability to bring well substantiated proposals to the discussion of policy.

Policy reform is more likely to result from GBS if high quality analytical work complements the financial contribution. CIDA officials and members of the Canadian PSU were active participants in policy forums, and sometimes assumed a leadership role in thematic groups. On occasion, experts engaged by CIDA in other technical assistance projects in Vietnam have made valuable analytical inputs to the PRSC process (e.g. in the environment area). CIDA is perceived by partners as ready to assume leadership on occasion and to actively support the forums in which it is not the leader. Equally important but not easily quantified is the perception that GoV ministers and officials trust CIDA to have Vietnam's best interests at heart.

Source: Vietnam CPE, 2009

## Appendix 7 – CIDA's Program Delivery Systems: Simplifying the Definitions

The Treasury Board Policy on Evaluation (effective April 2009) defines an evaluation as “the systematic collection of analysis of evidence on the outcomes of programs [in order] to make judgments about their relevance, performance, and alternative ways to deliver them or to achieve the same results.” (see TBS, Policy on Evaluation, April 2009, p.2)

In order to be able to analyze “alternative ways to deliver them or to achieve the same results”, the Evaluation Directorate does not have many options. The most obvious is to compare the various mechanisms that CIDA is using to deliver development assistance programs, and then to assess their respective performance based on a set of criteria. This is exactly what this Review of PBAs intended. However, we found out that CIDA has a set of complex definitions and categories to define its delivery systems.

First, there are the various “**channels of cooperation**”. These are well known and include:

- i) Bilateral programs, which are implemented by the geographic desks at country or regional levels;
- ii) Multilateral programs, which include a variety of initiative to support international and multilateral organizations and funds; and
- iii) Partnership Branch programs, which are implemented by a set of Canadian institutions (including civil society, religious and/or faith-based organizations, academic, professional organizations, private sectors associations) in collaboration with partner organizations in developing countries.

Second, CIDA's “**delivery models**” fall into one of three categories:

- i) Core funding (including grants and contributions to key international partners, recipient governments in the developing world or delegated cooperation to another donor);
- ii) Responsive programming (to support development interventions designed and implemented by others); and
- iii) Directive programming (designed by CIDA and implemented by a third party under a firm contract).

Third, CIDA has various “**investment types**”. These include the following categories:

- i) Canadian Partnership projects (a multi-year contribution to a specific intervention);
- ii) Canadian Partnership programs (a multi-year contribution to a group of related activities, often in many countries);
- iii) Canada Fund for Local Initiatives projects (development assistance managed through Canadian Embassies and High Commissions); and
- iv) PBAs (CIDA's definition is based on the OECD-DAC definition. This includes leadership by the recipient countries, a single comprehensive program and budget framework, a formalized process of donor coordination, and effort to increase the use of local systems)

Fourth, CIDA's “**delivery mechanisms**” make a distinction among the various types of PBAs:

- i) General Budget Support (GBS);
- ii) Sector Budget Support (SBS);
- iii) Pooled Funding arrangements (PF); and
- iv) “Other PBA”, including technical assistance, support to NGOs, and multilateral partnerships. (OPTS)

The country program evaluations (CPEs) undertaken recently have classified projects and interventions using a simpler integrated system including the following types:

- i) Bilateral Directive projects (B-1);
- ii) Bilateral Responsive projects (B-2);
- iii) Bilateral PBAs (GBS: B-3, SBS: B-4, Pooled Funding: B-5)
- iv) Multilateral Responsive projects and programs (M-1), and Multilateral core-funding (M-2);
- v) Partnership Responsive (P-1) and Partnership core-funding (P-2).

**NB:** Readers should note that Multilateral and Partnership “core funding” arrangements (M2 and P2 respectively) were not part of the sample of recent CPEs, owing to the complexity of assessing the overall activities of a single organization.

Evaluation Directorate does not pretend that the system used for the CPEs is ideal, but we believe that CIDA could benefit by clarifying and simplifying its categories and coding systems so as to provide its internal and external constituents with better information about the way its programs are delivered.

### Appendix 8 – Summary of International Experience with PBAs

Category	Title of Study and Institution Responsible	Relevance for CIDA
1.0 Implementing PBAs: What actually happened		<p>These studies show donors' focus on PBAs' effects on aid policy and processes, and on the interface between donors and recipient countries.</p> <p>The studies examine the effectiveness and efficiency of the implementation of PBAs</p>
	1.1 OECD/DAC review (2001-2002), of the relationship between the implementation of PBAs (mainly GBS and SWAp) and donors' harmonization practices. <sup>43</sup>	<ul style="list-style-type: none"> <li>• Report drew on experience of more than 15 donors (CIDA included) in multiple countries, and was a major reference point for OECD-DAC members engaged in PBAs.</li> <li>• Conclusions of the report aim to improve the effectiveness and efficiency of the management of PBAs.</li> <li>• Recommendations address: (i) focusing ownership towards target groups; (ii) improving public sector financial management as PBAs are implemented; (iii) reducing transaction costs of recipient countries; (iv) increase predictability and reduce risks of PBAs.</li> </ul>
	1.2 USAID review of its experience with GBS in five countries, 2004-2005. <sup>44</sup>	<ul style="list-style-type: none"> <li>• Study focused on the enabling conditions needed for GBS.</li> <li>• Not an impact assessment: did not evaluate poverty reduction or progress on other national goals.</li> </ul>
	1.3. Evaluation of multi-country "Education for All" SWAP/ pooled funding program, including four country case studies. <sup>45</sup>	<ul style="list-style-type: none"> <li>• This evaluation was supported by 13 donors, including CIDA, and the host governments of four countries (Zambia, Uganda, Burkina Faso and Bolivia, the sites of case studies). It analyzes one the largest, most extensive and high-profile examples of a SWAp/Pooled-Funding PBA, the joint donor investment in Education for All. (In this three-part categorization of the international experience, this study fits into both 1.0 and 3.0.)</li> <li>• The international community adopted EFA in 1990, and reaffirmed it in 2000. Its targets were integrated into the MDGs and into CIDA's priorities as expressed in SAE. The targets of EFA, and international programs such as the EFA Fast Track Initiative shaped CIDA's programming with PBAs in countries such as Mozambique.</li> <li>• The evaluation, itself an international undertaking including a Canadian consulting firm and Canada's association of universities and colleges, synthesized documents from the entire EFA initiative and used empirical evidence from four country studies, including three in Africa. The analysis focused on the interplay between external support and the quality of Basic Education, particularly universal primary education. "External support" –aid–included both money and "partnership".</li> <li>• The evaluation also compared the results of earlier project-based approaches with those of PBAs; generally, it focused on the educational outcomes of EFA than on the PBAs used to finance it.</li> </ul>

<sup>43</sup> OECD/DAC, *Harmonizing Donor Practices for Effective Aid Delivery*, Vol. 2: "Budget Support, Sector-Wide Approaches and Capacity Development in Public Financial Management," (Paris, OECD-DAC, 2002).

<sup>44</sup> USAID, "General Budget Support: Key Findings of Five USAID Studies," PPC Evaluation Paper #7, (Washington: USAID, 2005).

<sup>45</sup> Netherlands Ministry of Foreign Affairs, *Local Solutions to Local Challenges: Towards Effective Partnership in Basic Education—Joint Evaluation of External Support to Basic Education in Developing Countries*, (Den Haag: MINBUZA, Sept. 2003).

Source: [www.unicef.org/evaldatabase/index\\_29684.html](http://www.unicef.org/evaldatabase/index_29684.html), accessed Dec. 3, 2009.

Category	Title of Study and Institution Responsible	Relevance for CIDA
	1.4 World Bank review (2006) of its Poverty Reduction Support Credits, introduced in 2001 as its main instrument for budget support to client countries for their poverty reduction programs, linked to PRSPs. <sup>46</sup>	<ul style="list-style-type: none"> <li>• Study analyzes PRSCs' contribution to enhancing the ownership and management capability of the host country with respect to its national poverty strategy, and thus PRSCs' contribution to reducing poverty.</li> <li>• Conclusions emphasize role of PRSCs as a lending instrument to make PRSPs operational; their contribution to donor harmonization and coordination; and to improved predictability and reduced risks of budget support.</li> <li>• Study does not assess impact—PRSCs were in place for only four years.</li> </ul>
	1.5 Donors' experience with alignment and harmonization within the Strategic Partnership for Africa, recorded at workshop in Dublin, 2005. <sup>47</sup>	<ul style="list-style-type: none"> <li>• Workshop focused not on PBAs, but on donors' experience with budget support, and especially alignment and harmonization required to assist the poverty reduction strategies of African governments.</li> <li>• Report provides detailed descriptions of issues in managing and implementing budget support: relevance, effectiveness, efficiency, monitoring, sustainability, capacity development, and use of SBS as a transition vehicle from projects to budget support.</li> <li>• Report also produced a list of good practices drawn from experience, on designing and implementing general and sector budget support.</li> </ul>
	1.6 Study mandated by the OECD/DAC and Swiss Cooperation Agency in 2005, to assess experience to guide good international practice in developing Performance Assessment Frameworks (PAFs) for GBS. <sup>48</sup>	<ul style="list-style-type: none"> <li>• Study considered five cases, which together used standard methods of assessing GBS performance.</li> <li>• Study identified good practice related to specific methods of performance assessment (e.g. WB/IMF macroeconomic analysis; disbursement schedule against quantitative indicators)</li> </ul>
<b>2.0 Defining an Evaluation Framework for PBAs</b>	2.1 Study commissioned in 2003 by the OECD/DAC Network on Development Evaluation, to produce an evaluation framework for country-level General Budget Support. <sup>49</sup>	<ul style="list-style-type: none"> <li>• The study produced an evaluation framework (EF) in 2004 that has been the foundation for subsequent evaluations of GBS, providing "a very good focal point for inter-donor discussion of the issues," including how to do joint evaluations.<sup>50</sup></li> <li>• Participating organizations comprised 17 donors (including CIDA), 4 multilateral agencies, and 7 host governments (Burkina Faso, Malawi, Mozambique, Rwanda, Uganda, and Vietnam).</li> <li>• The framework uses an elaborated version of the traditional LFA, with five levels of causal analysis, taking account of a range of inputs much wider than simply finances. It examines the complex "logics of intervention" used by many European donors, including both "flow of funds" and institutional characteristics of GBS—including policy dialogue and technical assistance—as well as donors'</li> </ul>

<sup>46</sup> J. Factora, "A Stocktaking of Poverty Reduction Support Credits," in S Koeberle, Z Stavreski and J Walliser, eds., *Budget Support as More Effective Aid? Recent Experiences and Emerging Lessons*, (Washington, DC: World Bank, 2006).

<sup>47</sup> Strategic Partnership with Africa, "Sector Budget Support: A Note from the Dublin Workshop of SPA Working Groups, 5-6 October 2005."

<sup>48</sup> A. Lawson et al., "Learning from Experience with Performance Assessment Frameworks for General Budget Support," Synthesis Report, (Paris: OECD/DAC, 2005).

<sup>49</sup> A. Lawson and D. Booth, "Evaluation Framework for General Budget Support," (London: ODI, 2004).

<sup>50</sup> CIDA/Evaluation Directorate, "Analysis of International Efforts," p. 22.

Category	Title of Study and Institution Responsible	Relevance for CIDA
		<p>harmonization and alignment practices. Its intermediate results encompass factors as diverse as democratic accountability, efficient systems of public finance, empowerment of host governments, and the capability of host governments to reduce poverty by improving the regulation and functioning of the private sector, as well as governments' own capacity to deliver services to people living in poverty. It envisions impact to be reduced poverty, with poor people empowered and socially included.</p> <ul style="list-style-type: none"> <li>• The DAC asked that the framework address its standard evaluation criteria of relevance, impact, effectiveness, efficiency, and sustain-ability. The complex logic model of the framework thus includes evaluation questions and indicators for each of these.</li> </ul>
	<p>2.2 Internal study by SIDA in 2003-04, to compile findings and make recommendations on Sweden's experience with GBS.<sup>51</sup></p>	<ul style="list-style-type: none"> <li>• The SIDA study provided other donors with evidence from Sweden's experience, which reinforced or challenged the OECD/DAC evaluation framework (above).</li> <li>• Published in 2004, it also informed the evaluation team at the beginning of the extensive multi-donor OECD study of GBS (see below, 2.4).</li> </ul>
	<p>2.3 Government of the Netherlands review of its experience with budget support in the period 1998-2005.<sup>52</sup></p>	<ul style="list-style-type: none"> <li>• This review was an internal assessment of internal policy implementation of the sector-wide approach within Dutch development assistance, not an evaluation of the impact of Dutch SWAs.</li> <li>• In assessing Dutch practice, it explores seven "evaluation themes" relevant to PBAs: selectivity, concentration, sector selection, harmonization, alignment, ownership and poverty reduction.</li> </ul>
	<p>2.4 Multi-country study of GBS in seven countries, covering the decade 1994-2004, commissioned by the OECD/DAC and published in 2006.<sup>53</sup></p>	<ul style="list-style-type: none"> <li>• This is one of the largest evaluations to date, covering a sample of PBAs in different countries, focusing on GBS over a decade in differing developmental contexts. Within this three-part categorization of international experience, this analysis fits into two categories: it aims to enhance an existing evaluation framework, and to evaluate General or Partnership Budget Support in seven countries.</li> <li>• The case studies were the same as those done for the earlier (2003-04) Evaluation Framework study. The list of participating organizations was longer still: 19 bilateral donors, CIDA included, 5 multilateral agencies, and seven host governments.</li> <li>• The 2006 study elaborated the 2004 EF, including both entry conditions and a wider range of inputs, both from governments and from donors' GBS. It also directly linked policy dialogue and conditionality as one of the key processes in GBS. Its logic model, based on that of the 2004 EF, was more complex still.</li> <li>• Although it took account of other forms of financial aid, it focused on GBS as the heart of the matter of PBAs. It took as its subject "Partnership GBS", taken to exemplify the new approach laid out by the DAC in Shaping the 21st Century, a form of budget support quite different from older approaches such as structural adjustment lending or balance-of-payments assistance. Its text thus included explicit consideration of the dynamics of "ownership" by host governments, and "partnership" between donors</li> </ul>

<sup>51</sup> M. Nilsson, "Effects of Budget Support – A Discussion of Early Evidence," SIDA Evaluation Directorate Working Paper 2004:4 (Stockholm, 2004).

<sup>52</sup> Government of the Netherlands, MINBUZA, "From Project Aid Towards Sector Support—An Evaluation of the Sector-Wide Approach in Dutch Bilateral Aid 1998-2005," (Den Haag, 2006).

<sup>53</sup> IDD & Associates, *Evaluation of General Budget Support: Synthesis Report*, (Birmingham: International Development Department, School of Public Policy, University of Birmingham, May, 2006).

Category	Title of Study and Institution Responsible	Relevance for CIDA
		<p>and recipients.</p> <ul style="list-style-type: none"> <li>• It examined the experience of seven countries and multiple donors with a list of key questions:                             <ul style="list-style-type: none"> <li>○ Relevance: The response of the design of GBS to the “entry conditions” of each country.</li> <li>○ Harmonization and alignment: The effect of GBS on alignment of aid with government financial management and procurement systems, and harmonization of donors’ practices and procedures.</li> <li>○ Sustainability of Partnership GBS.</li> <li>○ Effects of GBS: There were two kinds: intermediate outcomes, and impact.                                     <ul style="list-style-type: none"> <li>(a) Intermediate outcomes included:   <ul style="list-style-type: none"> <li>▪ Effect on public expenditure: prioritization by governments, predictability of aid, and transaction costs.</li> <li>▪ Planning and budgetary systems: does using government systems improve them?</li> <li>▪ Effects on policy and policy processes.</li> <li>▪ Effects on macroeconomic performance.</li> <li>▪ Effects on pro-poor service delivery.</li> <li>▪ Effects on policy cross-cutting issues: such as gender equality, HIV/AIDS, and the environment.</li> </ul> </li> <li>(b) Impact: At issue here was the effect of GBS on poverty reduction.</li> </ul> </li> </ul> </li> </ul>
	<p>2.5 World Bank/Independent Evaluation Group (IEG) uses an evaluation framework, summarized at <a href="http://www.worldbank.org/ieg">www.worldbank.org/ieg</a>.<sup>54</sup></p>	<ul style="list-style-type: none"> <li>• The Country Assistance Evaluations of the IEG focus on the outcome of the WB program, not the overall outcomes of the development strategy of the client country.</li> <li>• The IEG does evaluate intermediate objectives relevant to PBAs, such as targeting of social services, and tries to assess the link between these and higher-level objectives such a poverty reduction.</li> <li>• The IEG also uses the same evaluative criteria as the OECD/DAC (relevance, impact, effectiveness, efficiency, and sustainability).</li> </ul>
	<p>2.6 World Bank/Development Impact Evaluation Initiative (DIME), general framework for evaluating the impact of PBAs.<sup>55</sup></p>	<ul style="list-style-type: none"> <li>• Also within the WB, a Development Impact Evaluation Group (DIME, led by the Chief Economist) is attempting to integrate impact evaluation into bank projects, It is not focusing on PBAs but does include PRSCs, which are essentially PBAs.</li> </ul>
	<p>2.7 EuropeAid initiative with the DAC Network on Development Evaluation, beginning in 2007 and continuing: has produced an Issues Paper on evaluating PBAs, and aims for a Comprehensive</p>	<ul style="list-style-type: none"> <li>• This initiative, of which CIDA is a member, will continue into 2010. It coincides with and (through CIDA’s participation) is connected to CIDA’s evaluation of PBAs.</li> <li>• The CEF builds on previous EFs, as well as the EC’s own guidelines. It rests on reconstructing and then evaluating the complex “intervention logic” (program theory) of G/SBS, both donors’ logic and that of the government’s development strategy (in which G/SBS is embedded), both implicit and explicit. It goes beyond merely listing “risks and assumptions” to analyze their causal influence.</li> </ul>

<sup>54</sup> Accessed Dec. 3, 2009.

<sup>55</sup> DIME website: <[web.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDEVIMPEVAINI/0,,menuPK:3998281~pagePK:64168427~piPK:64168435~theSitePK:3998212,00.htm](http://web.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDEVIMPEVAINI/0,,menuPK:3998281~pagePK:64168427~piPK:64168435~theSitePK:3998212,00.htm)>

WB Impact Evaluation website: <[web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTISPMA/0,,menuPK:384336~pagePK:149018~piPK:149093~theSitePK:384329,00.html](http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTISPMA/0,,menuPK:384336~pagePK:149018~piPK:149093~theSitePK:384329,00.html)> Both sites accessed Dec. 3, 2009.

Category	Title of Study and Institution Responsible	Relevance for CIDA
	Evaluation Framework for General and Sector Budget Support. <sup>56</sup>	<ul style="list-style-type: none"> <li>• With a more complex analytical base, the CEF then aims to assess both outcomes and impacts of budget support, using a “contribution analysis” of the effects of both G/SBS and government strategy and action. The approach aims to combine an analysis of process—financial and institutional resources and changes supported by G/SBS—with an analysis of the impact of government interventions.</li> </ul>
<b>3.0 Evaluations of PBAs</b>	3.1 Ghana multi-donor evaluation of budget support, 2006/2007. <sup>57</sup>	<ul style="list-style-type: none"> <li>• This evaluation was based on the EFs generated by the OECD/DAC studies of 2003 and 2004 (2.1 and 2.4 above.)</li> <li>• A joint effort by the ODI and the Ghana Center for Democratic Development, it attempts to integrate GBS policy (government/donor) dialogue into the evaluation, and included risks and assumptions in its causal analysis.</li> <li>• As CIDA was part of the multi-donor GBS program, this evaluation of budget support fed into CIDA's own country program evaluation.</li> <li>• The evaluation of GBS addresses big issues in the rationale for G/SBS: the intersection of budget support with Ghana's overall financial management, processes of accountability to Parliament and civil society, spending in education and health care, and donor/government positions on GBS—as policy lever or a way of financing government's budget.</li> </ul>
	3.2 World Bank evaluation of Country Assistance to Ethiopia, 1998-2006. <sup>58</sup>	<ul style="list-style-type: none"> <li>• CIDA's PBAs in Ethiopia include contributions to WB-managed program funds.</li> <li>• The evaluation focused on the WB's support the GoE's poverty reduction effort over 8 years. The analysis of the Bank's PRSCs is an example of evaluating GBS; the evaluation also includes multi-donor capacity development for the public sector.</li> <li>• The Report assesses the relevance of the WB's strategy, its outcomes, and the summary effectiveness and efficiency of its program.</li> </ul>
	3.3 Evaluation of multi-donor program of GBS in Tanzania, 1995-2005. <sup>59</sup>	<ul style="list-style-type: none"> <li>• This evaluation applies the framework of the 2006 OECD multi-country study to Tanzania's experience with GBS over the decade 1995-2004. Tanzania has been a priority country for CIDA for many years, and has also undertaken its own reviews of donor aid, via the Independent Monitoring Group.</li> <li>• This study was done jointly by ODI and a Tanzanian consulting firm, DAIMA. It is based on the assumption that the intermediate institutional effects of GBS are vital—that changes in organizations and systems are the key mechanisms through which poverty will be reduced over time, not the direct financial contributions of GBS.</li> <li>• The evaluation assesses the outcomes of GBS against its increased importance in Tanzania in the years after 2000. It shows the place of GBS in the national budget and its effect on health and education spending, and comments on its indirect influence on the incidence of poverty in the country.</li> </ul>
	3.4 Report of Tanzania Independent	<ul style="list-style-type: none"> <li>• This report was entrusted to an Independent Monitoring Group (IMG) appointed jointly by the</li> </ul>

<sup>56</sup> EuropeAid, Evaluation Unit, “Methodology for Evaluations of Budget Support Operations at Country Level,” Issue Paper, (Brussels: EC, 2008).

<sup>57</sup> ODI & Ghana Center for Democratic Development, “Joint Evaluation of Multi-Donor Budget Support to Ghana, Final Report.” (London and Legon-Accra, June 2007).

<sup>58</sup> World Bank/IEG, “Ethiopia: Country Assistance Evaluation, 1998 – 2006,” (Washington: WB/IEG, June 2008).

<sup>59</sup> ODI and Daima Associates Ltd., “Joint Evaluation of General Budget Support: Tanzania 1995-2005, Revised Final Report,” (London and Dar-es-Salaam, April 2005). Source: www.odi.org.uk, accessed Dec. 3, 2009.

Category	Title of Study and Institution Responsible	Relevance for CIDA
	Monitoring Group, 2005 <sup>60</sup> : addressing more effective aid relationships, but including substantial commentary on PBAs	<p>Government of Tanzania and the Development Partners.</p> <ul style="list-style-type: none"> <li>• The IMG reviews the status of the development partnership (aid/donor) relationship in Tanzania, and makes an assessment of the progress made towards principles and objectives set out in the Tanzania Aid Strategy of December 2002.</li> <li>• It also examines the progress/status of government leadership in developing policy priorities /strategic frameworks, as well as aid relationships in local governments and sectors (taking case studies from education and agriculture) and includes reflections on Sector-Wide Approaches (SWAs).</li> <li>• The report looks at development partners and policy dialogue processes with government. It looks at the progress and status of participation with special reference to the degree to which the Government of Tanzania is involving civil society and the private sector in the development of policies and strategies.</li> <li>• Finally, the IMG examines the budget process and public financial management/accountability systems; the efficiency/effectiveness of aid delivery systems including the adequacy and reliability of resource disbursements; and the progress and status of technical assistance and degree to which they complement domestic capacity building efforts.</li> </ul>
	3.5 Evaluation of the Implementation of the Paris Declaration, 2008 <sup>61</sup>	<ul style="list-style-type: none"> <li>• The evaluation of the implementation of the Paris Declaration is a wide-ranging undertaking that does not evaluate PBAs per se, but which reviews both the experience of 8 countries in implementing the Paris Declaration (two of which, Bangladesh and Vietnam, are part of the list of CIDA's CPEs ) and 11 bilateral and multilateral development agencies.</li> <li>• Its Section on harmonization includes a survey of emerging trends in program-based aid, an analysis of the factors influencing both developing countries and their external supporters, and an assessment of the extent of changes in the practice of harmonization.</li> <li>• The findings of this evaluation also bear on CIDA's performance criteria discussed in Section 5, because it examines issues closely related to harmonization, such as donors' alignment with the policies and systems of host countries, and the priority attaching to results-based approaches, monitoring and evaluation, and mutual accountability.</li> <li>• The assessment of the complex and sometimes competing interests among donors and host governments within harmonization casts additional light of the dynamics of "ownership" and "partnership".</li> </ul>

<sup>60</sup> Economic and Social Research Foundation, "Enhancing Aid Relationships in Tanzania: IMG Report 2005," (Dar-es-Salaam: ESRF, September 2005).

<sup>61</sup> B. Wood, D. Kabell, F. Sagasti and N. Muwanga, *Synthesis Report on the First Phase of the Evaluation of the Implementation of the Paris Declaration*, (Copenhagen: Ministry of Foreign Affairs, Denmark, July 2008).

## Appendix 9 – Building Capacity to Monitor and Evaluate Anti-Poverty Strategies: the PARSEP Program in West Africa

### **PARSEP**

#### **Program of Support to Strengthen the Capacity to Monitor and Evaluate Poverty Reduction Strategies in West Africa**

(original French title below\*)

In October 2001, the World Bank Institute organized a seminar in Ouagadougou, Burkina Faso, on the Evaluation of Poverty Reduction Strategies to which CIDA was invited. It became clear to participants at the weeklong seminar that a more intensive and long-term strategy was needed to strengthen the capacity of local and national institutions to monitor and evaluate poverty strategies in West Africa. In the following year, CIDA undertook diagnostic studies on this issue, which were validated at a follow-up seminar, again in Ouagadougou, in March 2003. Following this step, CIDA and five West African partner countries put in place an initiative to strengthen their national evaluation capacity: in Benin, Burkina Faso, Ivory Coast, Niger and Mali.

Known by its acronym, PARSEP (see below), the overall objective of the program was to “contribute to poverty reduction by strengthening the capacity to design, monitor, and evaluate poverty reduction strategies.” CIDA invited IDRC to take the responsibility of establishing a project implementation unit in Ouagadougou. The project itself had four components:

- 1) Institutional and organizational support to the operational unit responsible for the monitoring and evaluation of poverty reduction strategies in the five countries;
- 2) Strengthening the capacity of the key actors (including public officials, academics and nongovernmental organizations) by providing them with methodologies and tools;
- 3) Strengthening the research capacity related to poverty reduction; and
- 4) Management of a “Regional Implementation Unit” to provide administrative and technical support to the country facilities.

The PARSEP was operational in July 2004 and is expected to finalize its activities in March 2010. Activities have been concentrated in Benin, Burkina Faso, Mali and Niger; activity has been sporadic in Ivory Coast because of the conflict in that country since 2002. Measures are being taken to ensure the long-term sustainability of the initiative.

An evaluation of the PARSEP program is now being considered to draw lessons that could serve other regions where CIDA is active. There are key questions to be answered:

- i) Did the institutional development program with the monitoring and evaluation units take place? if not, why?
- ii) Has the capacity of the various actors involved improved? if not, why?
- iii) Do the national units have a better capacity to analyze poverty and its challenges? if not, why?
- iv) Finally, has this intervention had an impact on the countries' capacity to plan and implement poverty reduction strategies at the national level?

\* Original French title : Programme d'appui aux cadres nationaux de suivi/évaluation des stratégies de réduction de la pauvreté (PARSEP)

## Appendix 10 – PBAs and CIDA's Aid Effectiveness Action Plan (AEAP)

In October 2009, CIDA adopted an Aid Effectiveness Action Plan (AEAP), which built on recommendations from the last DAC Review, the Auditor General's 2009 review of CIDA, and the internal "Transformation for Results" initiative launched in June 2007.

The AEAP includes recommendations and a course of action that were not in place when the Evaluation Directorate embarked upon the country program evaluations reviewed here. However, many parts of the AEAP have implications for CIDA's use of PBAs, which is the subject of the current review. These elements of the plan include:

- i) **Country of Focus versus Countries of Modest Presence:** It is clear from the sample and recommendations of the countries reviewed (Bangladesh, Ethiopia, Ghana, Mozambique, Vietnam) that PBAs constitute an important development tool. PBAs help to align our development cooperation with that of partner countries, permit coordination with other international actors, contribute to major national and sector reforms, etc. The CPEs recommend continuing using PBAs where appropriate. However, the lack of countries in the sample with a modest CIDA presence (Malawi is the only example) does not allow us to make recommendations on countries of modest presence.
- ii) **Thematic/Sectoral Focus:** Following the practice of SAE in 2002, CIDA has reiterated its intention to concentrate its bilateral programming on a limited number of areas of 'thematic focus'. Those are: i) Food Security, ii) Children and Youth, and iii) Sustainable economic growth. These do not correspond directly to previous sectors of interventions such as education, health, private sector development, agriculture and rural development, governance, etc. The question has been raised, "To which sectors do PBAs best apply?" This question has not been fully answered, although the available data seem to indicate that not-so-ambitious and well targeted interventions have better chances of achieving their intended results. For example, PBAs supporting education reforms focusing on basic education worked better than PBAs in health reform addressing numerous areas such as preventive-health, curative-health, nutrition, and HIV-AIDS all at once. The same tendency appears in governance, where a focused approach such as "procurement reform" in Mozambique seems to work better than overly broad and ambitious public sector reform. The question may arise whether CIDA, other donors and the partner countries will tend to broaden the scope of PBA interventions to make them fit the new thematic focus.
- iii) **Increased Field Presence:** PBAs imply broad donor discussions with partner countries in the field. Managing these from headquarters may not be the most efficient nor the cost effective way. The CPEs have unanimously applauded the decision taken by the Agency to enhance its field presence and to delegate greater authority to the field. The Bangladesh, Mozambique, Ethiopia and Vietnam CPEs all support the decision taken to decentralize program management. However, such decentralization must be accompanied by streamlined support services from headquarters including legal, contractual, financial planning, and approval processes. Also, CPEs such as those of Bangladesh and Mozambique underscore the need for CIDA to have the appropriate sectoral/thematic resources in the field. This should lead to placing more professionals in the field, especially for the countries of focus. The mix of expertise at the Canadian High Commission and the Program Support Unit (PSU) would need to be carefully examined in each case. Overall, an increased and more authoritative field presence will permit CIDA to be more effective and to play an even more active leadership role at PBA roundtables.
- iv) **Policy on Program-Based Approaches:** The AEAP intends to "develop a policy on PBAs to facilitate CIDA's engagement in common arrangements." The Policy was approved and became effective July 1, 2009. It provides: i) The Context, ii) Definitions, iii) Policy Objectives, iv) Policy Statements, v) Policy Requirements, vi) Accountability, Monitoring and Reporting. Given that the Policy did not exist at the time when the country program evaluations were undertaken, we are not in a position to assess or judge its relevance or its application. However, as indicated in the Accountability, Monitoring and Reporting section of the Policy, "Corporate audits and evaluations of CIDA country programs involving PBAs will be conducted regularly, in coordination with other

donors whenever possible and relevant.”

- v) **Alignment:** Under its objective on alignment, the AEAP commits the Agency “by 2012-13 to channel at least 50% of funding to the government sector through the country systems, or to state to the host government the rationale for using any separate systems.” The Plan adds, “Recognizing our 2007 baseline of 50% for use of PBAs, CIDA will endeavour to increase its use of PBAs when appropriate conditions, as defined in the PBA Policy, are met.” This relates mainly to GBS and SBS. The internationally agreed upon target indicated in the Paris Declaration refers to 66% by 2010. However, there is space for discussion given that the commitment is global and does not necessarily apply to each donor in each partner country.
- vi) **Strengthening Partner Countries’ Capacity:** Under the principle of “alignment” the AEAP commits CIDA to “support country-led efforts to reform and strengthen the effectiveness of relevant country systems.” This Review especially recommended that performance management systems including the Offices of Audit and Evaluation of partner countries be taken into consideration.
- vii) **Civil Society and Accountability:** The AEAP also recommends ways to strengthen civil society organizations and local accountability systems, which are very much supported by the current Review. However, the implementation of such recommendations in the context of already complex donor coordination systems in place in most countries reviewed by these CPEs (Bangladesh, Ethiopia, Mozambique, and Vietnam), suggests that we use caution in seeking the most cost-effective ways to address the issue.
- viii) **Fragile States:** The AEAP suggests the use of joint-funding mechanisms and modalities in situations of conflict and fragility, in order to more effectively bridge humanitarian aid, recovery and longer-term development. It does not specifically recommend using GBS and SBS. The absence of countries in crisis in the Review does not allow us to suggest any future course of action regarding such countries. However, in the case of countries in crisis, caution is in order, because of the political and governance environment.

Ref: 1. CIDA's Aid Effectiveness Action Plan (2009-2012); 2. CIDA's Aid Effectiveness Action Plan (2009-2012): Accountabilities and Monitoring Guidelines, 2009; 3. Policy on Program-Based Approaches, CIDA, 2009

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**Appendix 12 – Management Response**

Recommendations	Commitments / Actions	Responsibility Centre	Target Completion Date	Status
<p><b>Recommendation regarding Performance Management, Monitoring and Evaluation:</b> It is recommended that CIDA Country Programs work with other development partners in the country to identify ways for strengthening the performance management, monitoring and evaluation capacities of institutions in partner countries as part of their programming strategies.</p>	<p>Agreed. Country programs will pursue this recommendation in concert with other development partners where appropriate. The issue will be integrated into future Country Development Programming Frameworks. The strengthening of these systems can also be considered in meeting the CIDA Aid Effectiveness Action Plan target which requires focus countries by 2010-13 to include a targeted component supporting the reform and strengthening of country systems relevant to the delivery of aid programs.</p>	<p>Geographic Programs Branch (GPB)</p>	<p>Ongoing</p>	
<p><b>Recommendation regarding Operational Guide to PBAs:</b> It is also recommended that the monitoring and evaluation components of the Agency's Operational Guide to PBAs be updated to better reflect the joint responsibility and mutual accountability for results achieved in partnership with others.</p>	<p>Agreed. CIDA will review its Operational Guide to PBAs to strengthen the monitoring and evaluation components based on tools and recommendations provided by the Performance Management Division and the Evaluation Directorate and provide clearer guidance regarding joint responsibility and mutual accountability.</p>	<p>Chief Financial Officer Branch (CFOB, PBA Guide Team) in collaboration with Strategic Policy and Performance Branch (SPPB, PMD-YEN) and Geographic Program Branch (GPB)</p>	<p>March 31, 2011</p>	
<p><b>Recommendation regarding Transaction Costs:</b> It is recommended that the Agency conduct an analysis of the transaction costs associated with PBAs, looking both at different kinds of PBAs and how costs compare against traditional project programming.</p>	<p>Agreed: As the Review notes, transaction costs relating to PBAs is a complex multi-faceted issue. The Agency will look at a sample of country programs with PBAs and compare them to similar sized project-based country programs. In addition, CIDA will review the differences among the three main categories of PBAs (GBS, SBS and Pooled Funds).</p>	<p>Geographic Programs Branch (GPB), in consultation with Chief Financial Officer Branch (CFOB) and Strategic Policy and Performance Branch (SPPB)</p>	<p>March 31, 2011</p>	

<p><b>Recommendation regarding Cross-cutting Issues:</b> It is recommended that CIDA Programs continue to work with other partners, in the context of their respective country programming, to identify ways of better mainstreaming cross-cutting issues such as gender and environment in PBA programming.</p>	<p>Agreed. Country programs, with international and national partners, will intensify their efforts with these partners to increase the integration of cross-cutting issues, such as the environment and gender equality, into PBA programming. Efforts to track and monitor this will also be improved.</p>	<p>Geographic Programs Branch (GPB)</p>	<p>Ongoing</p>	
<p><b>Recommendation on Improving the Agency's data on PBAs:</b> It is recommended that the Agency take steps to improve the quality of its data on PBAs, and maintain an up-to-date list of its PBA portfolio.</p>	<p>Agreed. The Agency will review its Operational Guide to PBAs and strengthen the guidance it provides to CIDA staff on the categorization and coding of PBAs</p>	<p>Chief Financial Officer Branch (CFOB, PBA Guide Team) in collaboration with Strategic Policy and Performance Branch (SPPB, PMD-YEN) and Geographic Program Branch (GPB)</p>	<p>Ongoing</p>	