



## **ROOM DOCUMENT NO. 7**

**DAC WORKING PARTY ON AID EVALUATION**

### **Evaluation of General Budget Support - Possible Future Work**

This document was prepared by the United Kingdom following the Workshop on Evaluating General Budget Support, held in Glasgow, 3 – 4 March 2003. This document is submitted for discussion under item 6iii) of the agenda for the DAC Working Party on Aid Evaluation Meeting, 27 – 28 March 2003.

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**37<sup>th</sup> meeting  
27-28 Mars 2003**

General budget support is an aid instrument being used to transfer increasing volume of aid and it is therefore important to assess its role, effectiveness and impact. Under the aegis of the Working Party on Aid Evaluation, the UK's Department for International Development (DFID) hosted an informal two-day workshop in Glasgow (3-4 March) to disseminate the findings of recent evaluation studies on budget support and programme aid. Sixty-four participants attended, including evaluators as well as staff responsible for policy and operations. The Overseas Development Institute (ODI) helped to arrange the workshop and its Director, Simon Maxwell, chaired throughout.

The main objective of the workshop was to identify emerging issues for future evaluation/research work; the methodological difficulties involved in these issues and suggested approaches. A mix of presentations and group work was undertaken. A full report of the workshops presentations and discussions will be distributed to all participants and DAC WP-EV members at the end of March.

### **Papers Presented**

The workshop started with a presentation on aid effectiveness and some of the factors underpinning the shift to budget support as an aid instrument e.g. increased aid commitments made at Monterrey, and the increasing dissatisfaction by some donors (and recipients) of the project modality.

Other presentations were structured around past and present evaluation findings and emerging new as follows:

**Mick Foster** (independent consultant) on aid effectiveness and diminishing returns;

**Howard White** (Operations Evaluation Department, World Bank) on evaluating programme aid and macro economic impacts drawing on the evaluation of SIDA Programme Aid ("Dollars, Dialogue and Development")

**Tony Killick and Charles Harvey** (Institute of Development Studies, Sussex) on the evaluation of SECO budget support, the criteria for country selection and the need for greater donor coordination;

**Andrew Lawson and David Booth** (ODI) on DFID budget support and its potential for building institutional capacity and improved governance; and

**Geske Dijkstra** (Erasmus University, Rotterdam) on the methodology used to evaluate debt relief, which may not be an effective method for increasing domestic resources for poverty reduction.

### **Evaluation Questions**

Issues for further evaluation work included (among others):

- The need to undertake further **country case studies** to validate and expand the OPM/ODI log-frame
- Exploring in more detail the **institutional outcomes** that budget support is proposed to deliver including:
  - The impact on the domestic budgetary process
  - Country capacity to monitor and evaluation the use of funds
  - Impact of GBS and other aid instruments on domestic accountability

- The impact of GBS on **macro economic** indicators e.g. the exchange rate (Dutch Disease), interest rates and the incentive to collect revenue
- **Donor coordination** and what works best

It was considered that the institutional issues might be explored through further evaluation work, whereas the macro economic related issues might be the subject of further research work.

## Next Steps

### *Establishment of a Working Group*

The workshop indicated that many agencies have an interest in further evaluation activities on budget support. As budget support is a joint-donor instrument for delivering resources to a country, it makes sense that evaluation is also conducted jointly. Hence next steps centre on how we can usefully pursue a joint approach, but pursue this in an efficient way, taking account of the various constraints of our respective organisations and of our development partners.

It is proposed that the most efficient way of managing a joint programme of work would be to establish a technical **working group** who would be responsible for developing the work programme and feeding back information to a wider group of interested donors, notably through the DAC WP-EV. DFID would be willing to coordinate the technical group or to act as secretariat.

We would welcome expressions of interest from DAC WP-EV from partners willing to serve on the working to drive this process forward. Interested members could contact Dale Poad (d-poad@dfid.gov.uk).

The first task of working group would be to define the agenda for phase 2. The full workshop report would be a useful starting point for agreeing which evaluation questions to pursue and how to pursue them. The committee would also need to explore how we organise ourselves to work in an effective joined up way, and how we ensure that wider stakeholders (including country governments) are involved and informed of progress and findings.

### *Preparation of an Inventory*

An evaluation of General Budget Support (GBS) will have to be based on Terms of Reference that will take into account :

- a theoretical base of such evaluation,
- an overview of experiences with respect to GBS (programme aid) and
- an inventory of GBS (programme aid) covering a reasonable period.

To avoid loss of time and momentum, the Netherlands (IOB) proposes to carry out an inventory of GBS (programme aid), beginning immediately. The inventory will have to present a clear picture of actual disbursements with respect to programme aid, by donor (DAC-members) and by destination (recipient country), covering a ten year period (1992-2002). This period will allow identification of trends.

The inventory would cover all programme aid (using the DAC definition of programme aid) and will specify general budget support, both earmarked and non-earmarked sectoral budget support, balance-of-payments support (import support) as well as debt relief. This specification will establish the relative importance of GBS within programme aid as an aid modality.

The Netherlands (IOB) would like to hear the opinion of other interested parties on this proposal. Furthermore, the Netherlands are prepared to assume responsibility for the proposed inventory, including funding and recruitment of a consultant to undertake the study. Depending on the availability and accessibility of existing information, should not take more than 12 weeks.