

EVALUATION OF GENERAL BUDGET SUPPORT

Evaluation Framework

**A Joint Evaluation of
General Budget Support**



February 2004

The Joint Evaluation of General Budget Support is supported and guided by the following organisations and countries, which form its Steering Group:

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**Evaluation Framework for
General Budget Support**

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**Report to
Management Group for the Joint Evaluation of
General Budget Support**

February 2004

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PREFACE

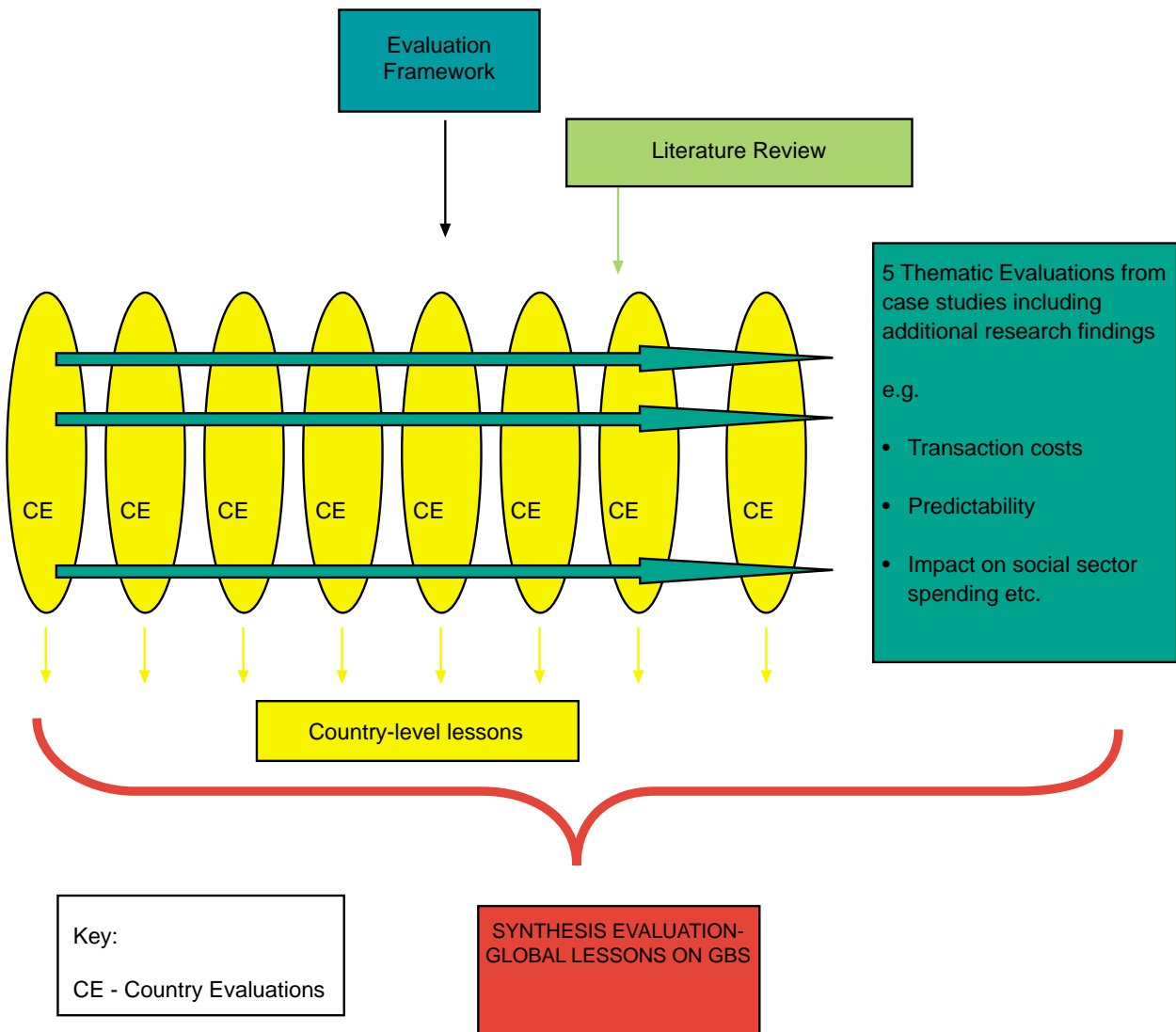
The UK Department for International Development (DFID) launched an Evaluability Study of General Budget Support (GBS) in late 2001. The aim was to explore the evaluability of GBS and develop an Evaluation Framework, which would subsequently be applied in a joint evaluation of GBS. This report presents the Evaluation Framework as the final result of the study. The report is also the first DFID publication as part of the Joint Evaluation of General Budget Support (GBS).

The Evaluability Study was based on findings from field work in Andhra Pradesh (India), Mozambique and Uganda and we are indebted to the participation of our partner governments to date.

Also contributing to this were ideas received from participants at international workshops in Glasgow (March 2003), Kampala (May 2003) and Brighton (October 2003), where earlier versions of the Framework were presented.

This report represents the views of its authors, a joint team of consultants from Oxford Policy Management and the Overseas Development Institute, and not necessarily the views of the Joint Evaluation of GBS Steering Group.

It is noteworthy that the Framework is developed to be relevant and applicable to all sorts of programme aid. Hence it is more general and broader in scope than the specific focus of the GBS evaluation. The Evaluation Framework can be presented as follows:



This joint evaluation is guided by a Steering Group (SG) which includes representatives of the participating development partners and partner countries.

AFD, France Australia Belgium BMZ, Germany CIDA, Canada DAC DCI, Ireland	EuropeAid, European Commission DFID, UK IADB, Washington IOB, Netherlands JBIC, Japan JICA, Japan	MOFA, Denmark MOFA, Japan MOFA, Norway Sida, Sweden Spain Switzerland USAID, USA
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In addition, there is a smaller Management Group (MG) leading the process:

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ACRONYMS

CFAA	Country Financial Accountability Assessment
CPAR	Country Procurement Assessment Review
CPI	Consumer Price Index
DAC	Development Assistance Committee (of OECD)
DBS	Direct Budget Support
DFID	United Kingdom Department for International Development
EC	European Commission
EU	European Union
EvD	Evaluation Department (of DFID)
GBS	General Budget Support
HR	Human Rights
IMF	International Monetary Fund
IOB	Policy and Operations Evaluation Department (Netherlands)
MEDA	Euro-Mediterranean Partnership
MoF	Ministry of Finance
MTEF	Medium-Term Expenditure Framework
NGO	Non-governmental organisation
ODA	Overseas Development Administration (UK, pre-1997)
OECD	Organisation for Economic Cooperation and Development
PE	Public Expenditure
PER	Public Expenditure Review
PFM	Public Finance Management
PRSC	Poverty Reduction Support Credit (World Bank)
PRSP	Poverty Reduction Strategy Paper
SBS	Sector Budget Support
Sida	Swedish International Development Cooperation Agency
SPA	Strategic Partnership with Africa
SWAp	Sector-Wide Approach programme
TA	Technical assistance
VFM	Value For Money (economy, efficiency, effectiveness)
WP-EV	Working Party on Aid Evaluation (of DAC); now Evaluation Network

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This report has been prepared by David Booth, Overseas Development Institute (ODI), and Andrew Lawson, Team Leader of the EuropeAid HelpDesk on Budgetary Aid, Sector Programmes and Project Cycle Management, which provides training and methodological support services to the European Commission in Brussels. Work has been funded by the European Commission and UK DFID. An initial draft was presented at a workshop in October 2003 and then reviewed in detail by a Management Group established by the OECD–DAC Evaluation Network. All amendments requested by the Management Group have been incorporated into this, the final version of the report, which will be used as the Framework for a multi-country, multi-donor evaluation of General Budget Support to be launched in 2004, under the aegis of the DAC Evaluation Network.

The authors would like to express their appreciation for the support and guidance given by the Management Group, in particular Kate Tench of DFID, True Schedvin of EuropeAid, Fred van der Kraaij of the Dutch IOB and Susanna Lundstrom of Sida. They have succeeded in converting the Framework into an evaluation tool which is acceptable to all members of the OECD–DAC and yet at the same time remains practical and rigorous. We would also like to express our thanks to Joanne Asquith, formerly of DFID, who managed the original *Evaluability Study* from which the approach and methodology were developed. Equally, we would like to thank the other members of the team for that study – Felix Naschold of the Overseas Development Institute, David Hoole of Oxford Policy Management and Alan Harding of the Centre for the Study of African Economies, Oxford University.

Valuable comments and ideas were received from participants at workshops in Glasgow (March 2003), Kampala (May 2003) and Brighton (October 2003) where earlier versions of the Framework were presented. Similarly, comments received from the members of the Budgetary Aid Thematic Network of the ‘RELEX family’ of the European Commission have helped to enrich the final document. Further comments and observations on the use of the Framework would be gratefully appreciated by the authors at andrew.lawson@cec.eu.int or d.booth@odi.org.uk.

EXECUTIVE SUMMARY

S1. This report presents an Evaluation Framework intended to guide the conduct of joint evaluation work on General Budget Support (GBS) at the country level. It was commissioned on behalf of the OECD–DAC Evaluation Network. It draws on an earlier GBS *Evaluability Study* produced for the Evaluation Department of UK DFID.

Purpose and nature of the Framework

S2. The Framework is intended as a practical tool that can be used to guide a number of country-level joint evaluations. The ultimate purpose of these exercises is to assess whether GBS is a relevant, efficient, effective and sustainable mechanism for poverty reduction. GBS is taken to refer to the channelling of donor funds directly to the partner government's budget, using the government's own allocation and accounting systems, with any conditionality focused on policy measures related to general budget priorities.

S3. The Framework is based on a flow diagram of the Logical Framework type, which spells out the causal linkages posited by the implicit thinking behind recent GBS programmes. This is presented in an elaborated form (Figure 3) and in a simplified form (Figure 1; reproduced on the next page of this summary). Section 2 of the report provides an overview of the simplified Logical Framework.

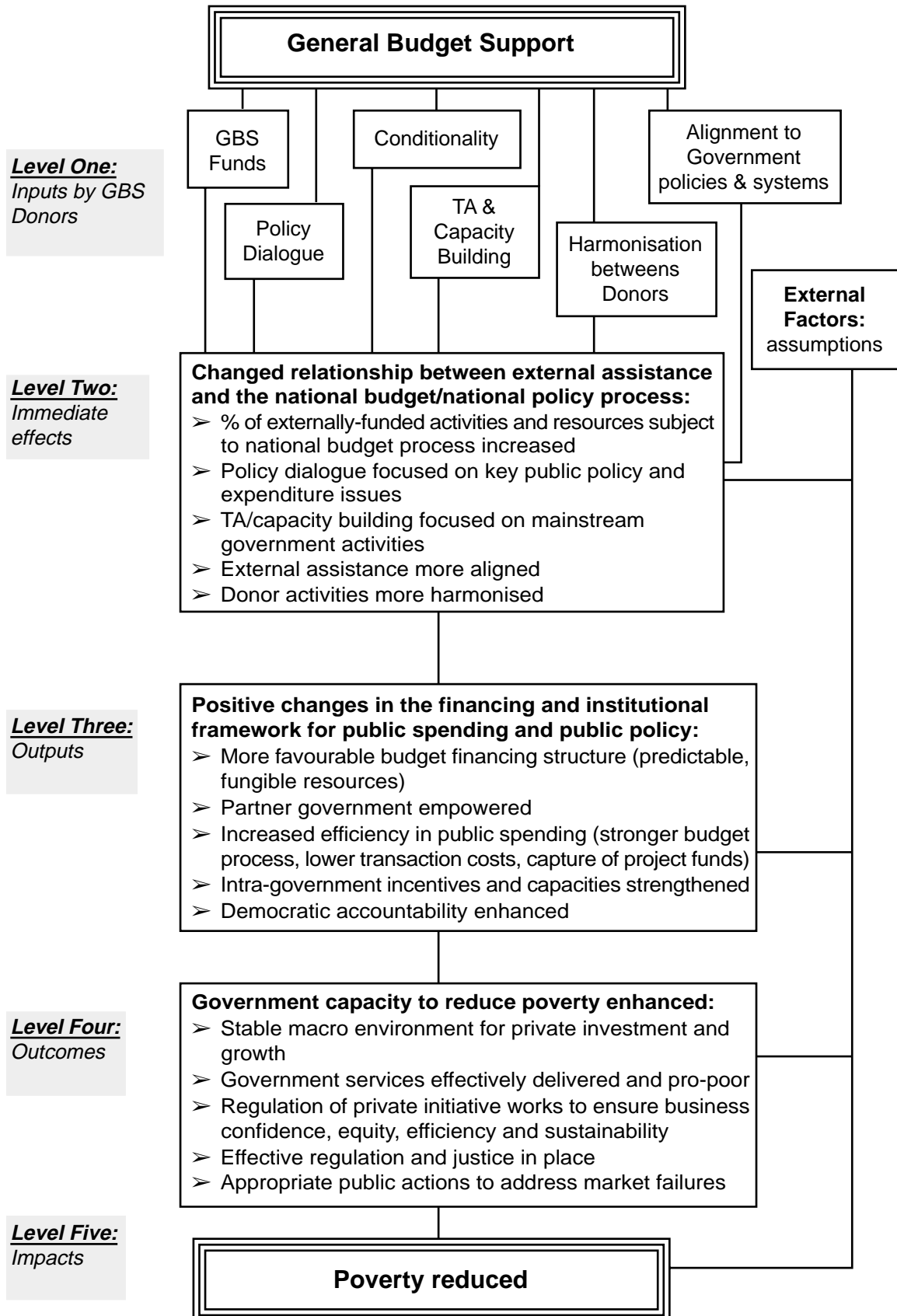
S4. Five levels are distinguished:

- Level One: Inputs by GBS Donors.
- Level Two: Immediate effects (on the relationship between aid, the national budget and national policy processes).
- Level Three: Outputs (consequent changes in the financing and institutional framework for public spending and public policy).
- Level Four: Outcomes (interactions between the public sector and the wider economy and society, specifically with regard to the proximate determinants of poverty reduction).
- Level Five: Impacts (in terms of the empowerment of the poor and the improvement of their real incomes).

Level One: inputs

S5. The first level of the Framework is limited to the GBS operations themselves and to the inputs associated with those operations. Six types of inputs are considered: (1) funds paid into the national budget; (2) policy dialogue linked to the budget funds; (3) any associated conditionality; (4) technical assistance or capacity building linked to the budget funds; (5) efforts to align GBS donor aid with national goals and systems; and (6) efforts to harmonise GBS donors' aid with that of other donors.

Figure 1: Simplified logical framework analysis of General Budget Support



Level Two: Immediate effects

S6. Level Two is concerned with the immediate effects of the inputs on the relationship between aid, the national budget and national policy processes. These effects do not always follow from the mere presence of inputs but, subject to simple assumptions which should generally hold, then they should be virtually automatic. At Level Two, the Framework postulates that if GBS inputs are provided and so long as these are not offset by countervailing actions by government or by non-GBS donors, then these will have an immediate effect upon the relationship between external assistance as a whole, the national budget and the national policy process.

S7. The Framework postulates that there will be improved results at subsequent levels of the Logframe in a situation when the following immediate effects are seen:

- An increased proportion of external funding is made subject to national budget processes.
- The form of policy dialogue changes, so as to focus more on national public policy and public expenditure issues and processes.
- Technical assistance and capacity-building efforts are being increasingly re-oriented towards mainstream activities of government (public policy and public expenditure issues rather than project management and administration).
- External assistance is more aligned with national goals and systems.
- Donor activities in the country are more harmonised.

S8. Apart from simply examining whether these immediate effects are present, at Level Two a judgement will also be made on the extent to which these effects are directly attributable to the GBS operations. Also drawing on the analysis in Level One on the balance between conditionality and (partnership-based) policy dialogue, a judgement will be made on what is the driving force behind the change in the nature of policy dialogue.

Level Three: outputs

S9. Over the short to medium term, it is postulated that the immediate effects of GBS inputs will generate positive changes in the financing and institutional framework for public spending and public policy. The financing effects are likely to manifest themselves relatively quickly, whereas the institutional effects will result from the changed incentives generated primarily by the increased importance of the national budget. These largely relate to changes in the nature of the country's governance and will necessarily take longer, whilst also being subject to a wider range of external factors.

S10. It is suggested that these 'outputs' will manifest themselves in five particular ways:

- Through a more favourable budget financing structure, resulting from the improved predictability of budget funding, the increased fungibility of resources coming into the budget and a consequent reduction in the costs of budget financing.

- Through the empowerment of the partner government: a) to use the budget to bring public sector programmes into line with government goals and service delivery targets; b) to align PRSP processes with government systems and cycles; and c) to promote alignment and harmonisation by donors.
- Through enhancements in the efficiency of public expenditure, due to a more effective budget process, reductions in certain types of transaction costs associated with development assistance, and improvements in allocative efficiency resulting from the increased capture of project funds in the budget.
- Through a strengthening of intra-government incentives and capacities due to the fact that official reporting lines and budget procedures are more respected, public service performance incentives are strengthened and the 'brain-drain' effects of parallel project-management structures are reduced.
- Through a strengthening of structures and processes of democratic accountability, including a greater role for parliaments in monitoring budget results, greater scrutiny by domestic institutions over donor-financed spending and a general improvement in transparency and hence in the conditions for democratic accountability.

Level Four: outcomes

S11. The outcomes postulated in the Framework relate to the enhancement of government capacity to influence the proximate determinants of poverty in a positive way. They derive specifically from the interaction of a more efficient, effective and accountable public sector with the wider economy and society. Thus, in the medium to long term, one expects to see the following outcomes:

- The creation of a stable macroeconomic environment, conducive to private investment and economic growth.
- An improvement in the quality of services delivered to the public, particularly in the delivery of pro-poor services and in the targeting of those services to the poor.
- Effective assumption by government of its role as a regulator of private initiative.
- Provision of a framework ensuring justice, law and order and respect for human rights.
- Appropriate public actions to address market failures, including those arising out of gender inequalities.

Level Five: impacts

S12. The desired final impact of GBS is that:

- Poor people should be empowered and socially included; and
- Poverty, in all of its dimensions, should be reduced.

S13. This may be expected to happen, in the long term, so long as the expected outcomes are produced and so long as key assumptions hold true with regard to the growth and development process. Specifically, we assume that private agents accumulate assets and/or total factor productivity increases, leading to faster economic growth; the pattern of growth is pro-poor and/or effective redistributive mechanisms are in place; the growth is environmentally sustainable and the incidence of insecurity, injustice and abuse of human rights is reduced.

S14. The theory behind the linkages in the top half of the diagram arises from the evidence that has accumulated over recent years about the disadvantages of project aid and the advantages of programme modalities, particularly in regard to their effects on the institutional structure of the host country. Another important source is experience and research indicating the relative ineffectiveness of policy conditionality linked to programme aid, and the corresponding expectation that support using national systems to assist national policy processes (e.g. PRSPs) will have better results.

S15. The theory behind the bottom half of the diagram draws on the *Poverty Reduction Guidelines* of the DAC and other well-known sources on research and policy thinking for poverty reduction. A selection of source materials on outcome and impact linkages is given at the end of the report.

Methods

S16. Section 3 of the report explains how it is intended that the Framework will be used. Four key features of the methodology are explained. First, the sources of information used to test the posited linkages need to be extensive and varied, allowing for a substantial application of 'triangulation'. Second, data will be needed for periods of at least three years, suggesting that evaluations should only be undertaken in countries where GBS is a well established modality. Third, problems of attribution will need to be handled by means of careful reconstruction of case histories, giving detailed attention to the role of 'assumptions and risks'. Fourth, analysis of the counterfactual will normally be restricted to considering the plausibility of well-constructed alternative case histories.

S17. In addition, Section 3 answers four questions about the possible scope of evaluations based on the Framework. They are: Can the Framework evaluate individual donor operations? Why is the Framework focused at the country level? Is the Framework only relevant to ongoing operations? And which types of country and development contexts can it cover?

S18. The Evaluation Framework covers both institutional and 'flow of funds' effects of GBS, and these are considered simultaneously. However, the flow of funds poses some particular technical challenges, which are discussed in Section 4. These are in two main areas, concerning the financial effects and the monetary and exchange-rate effects of the flows respectively. In the first area, evaluators will be interested in changes in the volume and composition of aid; changes in the degree to which aid is predictable and fungible or flexible from the partner government's point of view; and effects on the costs associated with financing the budget. The second area includes managing the potential for inflationary and 'Dutch Disease' effects.

S19. Section 5 provides a brief discussion of equivalent issues in the tracking of the institutional effects of GBS.

The Framework in detail

S20. Section 6 presents the Evaluation Framework in detail, using the more elaborated Logical Framework diagram, and a matrix of evaluation questions and indicators. At the Output level, the full Logical Framework incorporates the flow-of-funds issues, but also deals with the main institutional effects that are identified in GBS programme thinking as providing the link from GBS funds and other inputs to improved poverty-reduction outcomes and impacts. The full Framework includes a detailed mapping of the assumptions under which the postulated causal linkages are expected to hold, and thus the risks that may prevent this happening.

S21. The matrix at the end of Section 6 contains broad evaluation questions for each level, from inputs to impacts. These are then broken down into more detailed issues for investigation, with additional questions that direct the evaluators' attention to problems of attribution and the counterfactual. Where quantification is possible and appropriate, indicators and sources of information are suggested; otherwise 'test questions' are proposed. The matrix provides a guideline, which is expected to be used flexibly and critically by country evaluation teams.

1 Introduction

1.1 Scope and purpose of the GBS evaluation framework

1.1.1 Background

1. In recent years, there has been a significant shift by bilateral aid donors, in particular in Europe, away from traditional project support and towards unearmarked general budget support (GBS). For the UK government, this modality now represents some 20% of total overseas development spending. Other European countries are beginning to devote significant proportions of their bilateral aid to budget support, in particular the Netherlands, Sweden and Denmark. Since the Cotonou Agreement, the EC has also committed itself to allocating an increasing proportion of its development co-operation in the form of budgetary aid.

2. Although the precise disbursement modalities differ, all of these budget support instruments channel relatively large volumes of funds directly to a partner government, using its own allocation, procurement and accounting systems. Multilateral agencies, such as the World Bank, the Asian Development Bank and the Inter-American Development Bank are re-designing their adjustment lending in similar ways, moving way from conditionality-driven balance of payments support to more loosely targeted budget support in the form of Adjustable Programme Loans, often taking the specific form of Poverty Reduction Support Credits (PRSCs).

3. These programmes mark a radical departure from previous aid arrangements, which have relied either on project-based aid or on forms of programme aid linked directly to the achievement of *ex ante* conditionalities. Despite the evident financial importance of budget support, there has never been a formal evaluation of its effectiveness. In part, this reflects the newness of this aid modality (at least in the form it has been provided since 2000); in part, it reflects an appreciation of the inherent difficulty of evaluating this type of aid, which presents acute difficulties in assessing causality and attribution and also necessitates the joint assessment at the country level of the effects of the operations of all donors providing budgetary aid.

4. Nevertheless, the governing bodies of multilateral and bilateral aid agencies (their boards or parliaments), as well as audit offices, and civil society stakeholders are rightly asking where is the empirical evidence to justify the trust which has been bestowed on general budget support? At the operational level, partner governments receiving GBS are also concerned to find more efficient ways of planning, disbursing and managing it – as are the country managers of the bilateral and multilateral agencies.

5. This Evaluation Framework has been specifically developed to meet these needs. It will be used by the OECD–DAC Evaluation Network as the basis of a multi-donor and multi-country evaluation of General Budget Support to be launched in 2004. The ultimate purpose will be to assess whether GBS is a relevant (appropriate), efficient, effective and sustainable mechanism for poverty reduction.

6. The development of a Framework of this scope and importance has necessitated a process of reflection, of development and testing of ideas and of active opinion-gathering amongst the potential users of evaluation findings. This was initiated by DFID's Evaluation Department (EvD), who during 2002, supported a *General Budget Support Evaluability Study Phase 1*. This aimed both to synthesise the early lessons emerging from the experience of implementing GBS and to develop a Framework that might be used in a future evaluation. It included country case studies in Andhra Pradesh (India), Mozambique and Uganda. The results have been published in two volumes as DFID Evaluation Department working papers, Volume I containing the synthesis and Volume II the country case studies (DFID, 2004).

7. Together with other recent studies on budget support and programme aid, the Evaluability Study was the focus of an informal two-day workshop on 'Evaluating General Budget Support' in Glasgow, 3–4 March 2003, hosted by DFID Evaluation Department under the aegis of the DAC Working Party on Aid Evaluation (DAC WP-EV). Subsequently, the report was discussed at a one-day workshop on 28 May hosted by the Ministry of Finance, Planning and Economic Development of Uganda, where preliminary testing of the study's Evaluation Framework had been undertaken. At both meetings, helpful suggestions were made about ways of adjusting the report's conceptual model and turning it into a useful evaluation tool.

8. The Glasgow workshop indicated that many aid agencies had an interest in further evaluation activities on budget support. Moreover, participants strongly supported the view that as budget support is a joint-donor instrument for delivering resources to a country, it was important that evaluation should also be conducted jointly. Accordingly, a meeting of the DAC WP-EV in Paris, 24–28 March, endorsed the creation of a technical working group for managing a joint programme of work on the evaluation of budgetary aid.

9. An inception meeting of the group was hosted in London by DFID on 6 May 2003. At this meeting there was a wide ranging discussion of possible objectives and of the range of relevant questions for evaluation and research, of how the evaluation or evaluation programme should be conducted, of the wide range of stakeholders and their various interests, of roles and responsibilities in conducting the evaluation, and of key 'milestones' for future action. A key decision was that the conceptual model developed needed to be further refined into an 'Evaluation Framework' as soon as possible.

10. The present document was commissioned on behalf of the technical working group by DFID and the EC. It was prepared to terms of reference that captured many of the recurrent themes of the discussions in Glasgow, Kampala and London. It was first presented at a seminar in Brighton organised by the OECD–DAC working party in October 2003. Seminar participants discussed and commented upon the draft Framework. They also agreed to establish a smaller Management Group to guide the finalisation of the Framework and then launch and manage the evaluation study. In this, its final form, the Evaluation Framework has incorporated all of the comments of the Management Group. The authors were both members of the team that produced the *Evaluability Study*, and the work draws heavily on that previous work. Potential evaluators are therefore strongly advised to read Volume I of the *Evaluability Study*, although the key background elements have been included here so that it may be used as a single, stand-alone document.

1.1.2 Purpose

11. The Evaluation Framework is intended as a practical tool that can be used to guide one or more country-level joint evaluation exercises. That is, it may serve as the principal attachment to terms of reference for specific country-level evaluations of the budget support programmes of various donors. In the case of the proposed multi-country evaluation, it is hoped that the use of a common framework will ensure that each country study produces findings that are of general utility to all providers and users of budget support. Also, and perhaps more importantly, it is expected to ensure that the country evaluations take a consistent approach and can be synthesised to draw generalised conclusions.

12. The purpose of evaluation work on General Budget Support is to assess to what extent GBS is a relevant, efficient, effective and sustainable mechanism for poverty reduction.¹ In the case of the planned multi-country exercise, it is recommended that this assessment be made on the basis of two more specific questions:

- At the country level: Is General Budget Support in Country X a relevant, efficient and effective aid modality for achieving sustainable impacts upon poverty reduction or its proximate determinants?
- Synthesising across the country studies: Under what circumstances will the use of General Budget Support be more relevant, efficient, effective and sustainable than equivalent amounts of aid by other means?

13. These evaluation questions have an unavoidable comparative dimension. That is, the effects of budget support are considered in relation to those of other aid modalities, such as projects and sector support through common pool funds or through co-financed projects. This will be the case whether an evaluation includes a comparison of actual programmes using different modalities, or – as in the case of the multi-country exercise – it is focused on GBS programmes only. In the latter case, the comparative dimension is expressed in the form of a requirement to consider at all levels the question of whether the same result *would* have been achieved by the same aid resources delivered by another modality. The answers to these questions are expected to assist donors and partners in deciding on the best mix of modalities, and on the appropriate role of general budget support within that mix, under different circumstances and country contexts.

14. The Evaluation Framework has a deliberately operational slant and should yield conclusions of immediate relevance to current policies of partner countries and donors alike. In particular, it should yield conclusions regarding good practice in the design and management of general budget support.

1.1.3 Scope

15. The Framework here presented has been explicitly developed for the evaluation of General or 'Macroeconomic' Budget Support. (Box 1.1 below presents a precise definition

¹ This incorporates the five key evaluation criteria agreed by the OECD–DAC as the common framework for evaluation of development assistance: relevance, efficiency, effectiveness, impacts and sustainability of benefits.

of GBS.) However, as far as we are aware, there are no countries in which General Budget Support is the sole modality for the provision of budgetary aid. Given that the effects of GBS necessarily interact and intermingle with the effects of other types of budgetary aid, it is important to look at these effects together and therefore to have a framework that can accommodate all currently used modalities of budget support or programme aid.

Box 1.1: Types of Direct Budget Support

Direct budget support refers to the channelling of donor funds to a partner government using its own allocation, procurement and accounting systems. The transfer is 'direct', in the sense that it is provided as foreign exchange to government (concretely the Central Bank, who then credit the Central Government or Treasury account), with no controls over the process of conversion into local currency.

Within this overall definition, **General Budget Support** covers financial assistance as a contribution to the overall budget with any conditionality focused on policy measures related to overall budget priorities. Within this category funds may be nominally accounted for against certain sectors but there is no formal limitation on where funds may actually be spent. (The European Commission refer to GBS as Macro-economic Budget Support.)

Sector Budget Support covers financial aid earmarked to a discrete sector or sectors, with any conditionality relating to these sectors. Additional sector reporting may augment normal government accounting, although the means of disbursement is also based upon government procedures.

Source: DFID, 'Terms of Reference for Evaluation of General Budget Support', London, Oct 2001.

16. An inventory of programme aid recorded in DAC data for the period 1992–2002 was undertaken by the Dutch IOB. Results from this exercise confirmed the expectation that considerable volumes of aid have been disbursed under a number of different programme aid headings in recent years, although the official classifications make it hard to compare volumes across the categories. The Evaluation Framework can deal with all of the types of budget support discovered so far by the Dutch inventory, including debt relief, adjustment lending and both earmarked and non-earmarked direct budget support. (Section 3 gives a fuller explanation of the different categories of programme aid and budget support.)

17. On the other hand, General Budget Support has certain specific attributes and effects which differentiate it from other forms of Direct Budget Support or programme aid. This is especially true of the most recent GBS operations. Indeed, the DFID *Evaluability Study* identified a set of attributes and effects by which one might characterise 'new' General Budget Support. This was conceived as having a different rationale with respect not only to project aid, but also to 'old' programme aid, being distinguished from the latter by a stronger interest in country ownership of policies and a correspondingly different approach to conditionality and policy dialogue.

18. The six 'inputs' identified in Level One of the Framework are those inputs commonly associated with GBS. They comprise (1) funds paid into the national budget; (2) policy dialogue linked to the budget funds; (3) an associated process of conditionality; (4) Technical Assistance or capacity building linked to the budget funds; (5) efforts to align GBS donor aid with national goals and systems; and (6) efforts to harmonise GBS donors' aid with that of other donors. The Framework will seek first and foremost to record which of these inputs are being provided by GBS donors. However, it will also provide a framework for recording how far these same inputs are being provided by other donors. For example, 'project donors' may be actively engaged in harmonisation and alignment; others may be providing large amounts of Direct Budget Support, but in the form of earmarked contributions. When examining the immediate effects of GBS at Level Two, it will be important to judge how far these effects arise from the GBS operations and how far from parallel interventions with similar inputs.

2 The Framework – overview and origins

19. This section gives an overview of the Evaluation Framework and an explanation of its origins. Building on this summary description of the framework, Sections 3, 4 and 5 explain different aspects of the approach and methodology before the framework and its associated evaluation questions are explained in detail in Section 6. Those already familiar with the DFID *Evaluability Study* will note that Section 2.1 is drawn directly from the synthesis report and may choose to go directly to 2.2. For those less familiar, it provides the historical context necessary for a proper understanding of the Framework and its origins.

20. The Evaluation Framework is an effort to set out in a systematic way the principal claims made on behalf of General Budget Support as a modality of poverty-oriented aid, spelling out the implied causal links in Logical-Framework fashion. The Framework is summarised as a flow chart or Logframe diagram in Figure 1. In order to understand how the Framework was developed, it is important to consider first what was the genesis of GBS as an aid modality. In other words, what is the rationale for GBS, and what are its objectives? We then need to consider how it is postulated that it might achieve its objectives, and from this we derive the Framework.

2.1 The evolution of budget support and its significance

21. There are two general trends in thinking about poverty-focused aid that underlie the particular focus of the GBS evaluation and justify the desire to evaluate the poverty-reduction impacts of budget support. These are:

- The shift away from projects and towards ‘programmatic’ forms of aid.
- The move away from policy conditionality towards a more partnership-based approach to the provision of macroeconomic support.

22. It is in response to these trends that the EC, DFID and other donors have developed the General Budget Support modality. Here, we examine the driving forces behind these trends and attempt to define more precisely the characteristics of GBS.

2.1.1 From projects to programmes

23. For most of the post-war period, projects have been the principal vehicle for concessional loan and grant aid to developing countries. The focus on projects as the ‘cutting edge of development’ (Gittinger, 1982) was driven by a belief that the principal constraint to development was a lack of investment, and that projects were the most efficient way to deliver capital investment. Alongside this lay a conviction that projects, with their own separate accounting and administrative arrangements, provided the best structure for minimising fiduciary risk and thus for guaranteeing to tax-payers that their aid was producing concrete assets and not being wasted.

24. However, aid evaluations over the 1980s and 1990s pointed to a litany of problems with traditional, off-budget projects:

- Firstly, for countries with large numbers of aid projects and a multitude of donors,

each with their own reporting schedules and accounting requirements, the transaction costs of delivering aid through projects were becoming unacceptably high.

- The ability of donors to force their priorities upon governments and to tie procurement to their own country contractors was leading to inefficient spending.
- The problems in meeting the disbursement conditions and implementation requirements of different projects were leading to great unpredictability in funding levels.
- The extensive reliance on parallel, non-government project management structures and special staffing arrangements was seriously undermining the effectiveness of government systems, with negative effects right across government.
- Finally, the use of donor-specific mechanisms of accountability was corroding the normal structures of democratic accountability.

25. It was these last two problems and their deeply corrosive impact on institutional development that drew most attention in the World Bank's Aid Effectiveness report of 1998:

Aid agencies have a long history of trying to 'cocoon' their projects using free-standing technical assistance, independent project implementation units, and foreign experts – rather than trying to improve the institutional environment for service provision . . . They have neither improved services in the short run nor led to institutional changes in the long run. (World Bank, 1998)

26. By working outside of normal government systems – in particular the systems of budget planning and execution, accounting, procurement and performance management – aid projects not only missed the opportunity to assist in the strengthening of government systems. They actually ended up undermining their credibility and reducing their effectiveness, even in areas of government activity completely untouched by aid. Simultaneously, the primacy given to donor demands for accountability was increasingly forcing governments to be accountable to donors rather than to their parliaments and citizens.

27. Moreover, the main justification for separate project structures, namely the need for more reliable project financial management systems was also being questioned. In the first place, the 1980s and 1990s saw many examples of fraud, corruption and rent-seeking in the management of donor projects. In addition, in an economic sense it was clear that even where positive development results were achieved in the short term through projects, this might well permit the transfer of partner government resources into non-developmental uses. So long as aid was *fungible*, there was little point in focusing only on the outcomes of aid projects, while the wider environment for public administration and service delivery remained weak, permitting a consistent waste of resources at the margin.²

² Not all aid will be fungible: there are worthwhile activities, such as environmental conservation, where partner governments would typically be dedicating only limited public funding; consequently aid projects would not serve to free up resources for other uses. There are also short-term constraints on aid fungibility.

28. Taken together, these arguments provided a devastating critique of projects. Clearly, they applied most completely to the traditional ‘enclave approach’ to aid projects and to a degree could be addressed by better project design. However, at the heart of the criticisms lay two fundamental problems which seemed difficult to address within the project paradigm:

- aid-financed projects almost by definition would not use government systems and structures, and
- the use of donor-specific approval and review processes for projects almost inevitably removed government ownership, making it difficult for government choices and priorities to rule over project selection.³

29. In common with other donors, DFID in its White Paper of 1997 took a policy decision to support development as far as possible through government actions and institutions:

where we have confidence in the policies and budgetary allocation process and in the capacity for effective implementation in the partner government, we will consider moving away from supporting specific projects to providing resources more strategically in support of sector-wide programmes or the economy as a whole. (DFID, 1997)

30. Thus, the response to problems in ‘project-land’ has been to promote the use of direct budget support, with substantial efforts devoted initially to the development of Sector-Wide Approach programmes (SWAPs). A key theme of the evaluation will be to assess to what extent GBS has proven in practice to be immune to the main problems that afflicted projects. We discuss below the distinction that has emerged between supporting SWAPs and providing general budget support.

31. Before that, we consider the other key development of the 1990s. That is the growing dissatisfaction with aid conditionality as a mode of promoting sustainable policy reform and economic growth.

2.1.2 Experience in the use of policy conditionality

32. Conditionality, by definition, describes actions that the recipient government would not carry out without donor pressure. It should not be misunderstood as simply meaning conditions, which are of course normal in any financing arrangement. Conditional programme aid was intended to buy reforms (Collier et al., 1997). Its use originated in the structural adjustment programmes of the IMF and World Bank. Over the 1980s and much of the 1990s, structural adjustment lending was used by the Bretton Woods institutions – often with financial support from bilateral donors – to support the balance of payments and promote policy reform. There is thus some twenty years of multi-country experience in the use of conditionality and hence a substantial basis on which to judge its impact.

³ The arguments about undermining ownership apply most obviously to off-budget projects. To the extent that donor projects can be reflected in the national budget and made subject to internal approval processes, then the force of this argument is diminished. However, in practice, on-budget donor projects are not the norm and even when on-budget, the continued use of donor disbursement, procurement and accounting systems will continue to generate transaction costs and undermine ownership.

33. The conclusions of empirical work on this issue are clear: policy conditionality has been fairly ineffective in improving economic policies in recipient countries. Programme aid contributed to macroeconomic stabilisation in many countries, and thus may have assisted in the first stages of reform. However, where an effective local constituency in support of reform has not been in evidence, policy reforms have not been sustained, and results have been disappointing.

34. Studies of the experience of policy conditionality (Killick, 1998; White, 1999; Tarp, and Hjertholm, 2000; Dollar and Svensson, 2000) have created a broad consensus about the factors at work. Firstly, and most importantly, it is domestic political considerations that are the prime factor in determining economic and political reform. In general, these domestic considerations have proven immune to donor pressures. This is in large part because donors are under pressure to disburse funds and, historically, have proven likely to do so even where agreed conditions are not met. In addition, there are examples where aid has been given with non-developmental objectives in mind. Conditionality has also proved impractical for operational reasons, as too detailed, numerous and unrealistic conditions have been established.

35. This does not mean that donors have no influence on reform. There are examples of policies that have been implemented only due to the insistence of donors, particularly regarding the privatisation of state enterprises. There is also evidence from Zambia in the early 1990s that UK ODA's use of the full range of channels for policy dialogue helped to tip the balance of domestic interests towards economic liberalisation (White, 1999). Sweden's long-standing relationship with the Tanzania government is also considered to have been influential in the introduction in 1984 of economic reforms which had long been resisted in negotiations with the IMF. However, this level of influence only arises after a good working relationship has been established with the government and informal channels of influence have been developed.

36. Establishing such influence requires a different approach to conditionality, whereby governments establish an agreed set of reforms in partnership with donors. The apparent failure of conditionality to exert a sustainable policy influence in the absence of a working partnership severely weakens the rationale for conditionality-based budget or balance of payments support. This is especially because conditionality in its classic form has generally served to undermine ownership and internal accountability, both by imposing external priorities and by requiring acceptance of budgetary and legislative initiatives before these are placed before the legislature for debate.

2.1.3 The characteristics of 'new' budget support

37. Out of the analysis of experience with project aid and with policy-based lending, a need has been perceived within DFID and the like-minded European donors, within the EC and within the World Bank, for a new type of budget support. The new approach starts from the realisation that sustained poverty reduction requires effective governments which are accountable to their people. Development assistance should support this objective and should explicitly avoid utilising approaches which undermine accountability and ownership. This realisation creates an agenda for a new partnership, based upon shared objectives, with mutual obligations and a structure of mutual accountability. Development

assistance seeks to provide predictable, transparent modalities of financial support – buttressed when requested by high quality technical assistance. This supports implementation of a nationally-owned strategy to build an accountable and capable government and hence to implement an effective poverty reduction strategy.

38. National poverty reduction strategies provide the basis for this new partnership. Through these strategies, governments commit themselves to a set of actions aimed at reducing poverty. These are embedded within a PRSP process, which is country-driven, results-oriented, comprehensive yet prioritised, partnership-based and long term.

39. The characteristics of ‘new’ budget support may therefore be summarised as follows:

- Above all, it is partnership-based and provides untied budgetary resources within a medium or long-term perspective.
- Secondly, it is focused explicitly upon national policy processes, in particular the PRSP process and the government’s own poverty reduction strategy.
- It gives prominence to institutional development objectives, specifically to the requirements for creating accountable, capable governments.
- It utilises predictable, transparent methods for external budget finance which minimise transaction costs and work through government systems and processes.

40. Co-ordination of donor initiatives in support of the budget is a crucial component of the budget-support process – the aim being to reduce transaction costs, improve predictability of funding, protect ownership and strengthen democratic accountability. Participation in policy and programme design by parliamentarians, local governments and civil society is also a prominent characteristic, supported by incorporating participation into the formulation of the PRSP.

41. To some extent, the thinking behind new GBS is the same as that which gave rise during the 1990s to Sector-Wide Approach programmes (SWAs). However, there are important differences. SWAs are typically funded by donor common baskets or trust funds that are kept separate from the partner government’s allocation and accounting systems. Not only is the funding less flexible, but the commitment to using, and thereby helping to strengthen, government systems and institutions is highly restricted.

42. As Box 1.1 above implies, there is an intermediate category of ‘Sector Budget Support’, which combines use of government systems with (real) earmarking to specific sectors. Some programmes of support to SWAs may fall into this category. However, the recent survey by the Budget Support Working Group of the Strategic Partnership with Africa (SPA, 2004) has suggested that, in Africa at least, sector support that complies fully with the definition of SBS is of relatively small and probably declining significance. Earmarking is discussed in Section 3.1 below.

43. How far can the model of ‘new’ budget support be said to be the accepted donor policy on how budget support should be designed? In a strict sense, such a policy has not been formally adopted by any donor. On the other hand, the EC’s methodological guide to budgetary aid (2002) promotes an approach similar to that described above. Some recent

budgetary aid arrangements agreed by the EC have precisely the characteristics of ‘new’ budget support. The thinking behind these programmes benefited from the active involvement of other SPA donors and from a pilot exercise carried out under the aegis of the SPA (Zongo et al., 2000). They may be said to represent a certain level of consensus on the direction for the future. The World Bank’s new guidelines on the use of adjustable programme lending are also moving in the same direction.

44. Within DFID, the most recent Project Memoranda for GBS arrangements incorporate most of the characteristics of ‘new’ budget support described above – certainly those for Tanzania, Uganda, Andhra Pradesh and Mozambique. However, this is not an explicit DFID policy and there are still a number of outstanding GBS arrangements which retain elements of more traditional conditionality approaches. This is perhaps still more true of the budget support operations of the multilateral lending agencies. It is important to recognise the continued existence of such ‘hybrid’ arrangements. Nevertheless, the claims now being made regarding the superiority of ‘new’ budget support are sufficiently coherent to justify the construction of a conceptual model that captures their essential implications, and the use of this to explore actual programme realities in different countries.

2.2 Summary of the evaluation framework

45. Figure 1 represents the postulated structure of causality. This is presented in the form of a flow chart, but in the spirit of a Logical Framework.⁴ Five levels are distinguished:

- Level One: Inputs by GBS donors.
- Level Two: Immediate effects (on the relationship between aid, the national budget and national policy processes).
- Level Three: Outputs (consequent changes in the financing and institutional framework for public spending and public policy).
- Level Four: Outcomes (interactions between the public sector and the wider economy and society, specifically with regard to the proximate determinants of poverty reduction).
- Level Five: Impacts (in terms of the empowerment of the poor and the improvement of their real incomes).

2.2.1 Level One: inputs

46. The first level of our stylised Logframe or Evaluation Framework is limited to the GBS operations themselves and to the inputs associated with those operations. As we noted above, six types of inputs are considered: (1) funds paid into the national budget;

⁴ The diagram represents the main elements of the implicit ‘programme theory’ of GBS, using the terminology of Weiss (1998: Chapter 3). The theoretically posited linkages in the top half of the Logframe (Levels 1–3) arise from the considerations set out in Section 2, and in more detail in the *Evaluability Study* (DFID, 2004), whereas those in the bottom half (Levels 3–5) are based on general research and guidelines on poverty-reduction processes. For guidance on the latter, see the ‘Selected sources on output–outcome and outcome–impact linkages’ at the end of the report.

(2) policy dialogue linked to the budget funds; (3) any associated process of conditionality; (4) technical assistance or capacity building linked to the budget funds; (5) efforts to align GBS donor aid with national goals and systems; and (6) efforts to harmonise GBS donors' aid with that of other donors.

47. The reason for including these six inputs or sub-components of GBS is that they are normally all present in those countries where GBS is being actively promoted. This, of course begs the question of how significant is each of the sub-components and whether one could work effectively without the other five. These are important questions for the evaluation. However, the Framework presents GBS as a package, comprising six inputs.

48. As a type of 'memorandum item', a record will also be made of the extent to which 'GBS inputs' are being provided by 'non-GBS donors'. This is important in order to permit a judgement on whether the immediate effects identified at Level Two do actually derive from the presence of GBS operations.

2.2.2 Level Two: immediate effects

49. Level Two is concerned with the immediate effects of the inputs on the relationship between aid, the national budget and national policy processes. These effects do not always follow from the mere presence of inputs but subject to simple assumptions which should generally hold, then they should be virtually automatic. At Level Two, we are postulating that if GBS inputs are provided and so long as these are not offset by countervailing actions by government or by non-GBS donors, then these will have an immediate effect upon the relationship between external assistance as a whole, the national budget and the national policy process.

50. The Framework postulates that there will be improved results at subsequent levels of the Logframe in a situation when the following immediate effects are seen:

- An increased proportion of external funding is made subject to national budget processes.
- The form of policy dialogue changes, so as to focus more on national public policy and public expenditure issues and processes.
- Technical assistance and capacity-building efforts are increasingly being re-oriented so as to focus on mainstream activities of government (public policy and public expenditure issues rather than project management and administration).
- External assistance is more aligned with national goals and systems.
- Donor activities in the country are more harmonised.

51. Apart from simply examining whether these immediate effects are present, at Level Two a judgement will also be made on the extent to which these effects are directly attributable to the inputs of GBS operations. Also drawing on the analysis in Level One on the balance between conditionality and (partnership-based) policy dialogue, a judgement will be made on what is the driving force behind the change in the nature of policy dialogue.

2.2.3 Level Three: outputs

52. Over the short to medium term, it is postulated that the immediate effects of GBS inputs will generate positive changes in the financing and institutional framework for public spending and public policy. The financing effects are likely to manifest themselves relatively quickly, whereas the institutional effects will result from the changed incentives generated primarily by the increased importance of the national budget. These largely relate to changes in the nature of the country's governance and will necessarily take longer, whilst also being subject to a wider range of external factors.

53. It is suggested that these 'outputs' will manifest themselves in five particular ways:

- Through a more favourable budget financing structure, resulting from the improved predictability of budget funding, the increased fungibility of resources coming into the budget and a consequent reduction in the costs of budget financing.
- Through the empowerment of the partner government: a) to use the budget to bring public sector programmes into line with government goals and service delivery targets; b) to align PRSP processes with government systems and cycles; and c) to promote alignment and harmonisation by donors.
- Through enhancements in the efficiency of public expenditure, due to a more effective budget process, reductions in certain types of transaction costs associated with development assistance, and improvements in allocative efficiency resulting from the increased capture of project funds in the budget.
- Through a strengthening of intra-government incentives and capacities due to the fact that official reporting lines and budget procedures are more respected, public service performance incentives are strengthened and the 'brain-drain' effects of parallel project-management structures are reduced.
- Through a strengthening of structures and processes of democratic accountability, including a greater role for parliaments in monitoring budget results, greater scrutiny by domestic institutions over donor-financed spending and a general improvement in transparency and hence in the conditions for democratic accountability.

2.2.4 Level Four: outcomes

54. The outcomes postulated in the framework relate to the enhancement of government capacity to influence the proximate determinants of poverty in a positive way. They derive specifically from the interaction of a more efficient, effective and accountable public sector with the wider economy and society. Thus, in the medium to long term, one would expect to see the following outcomes:

- The creation of a stable macroeconomic environment, conducive to private investment and economic growth.
- An improvement in the quality of services delivered to the public, particularly in the delivery of pro-poor services and in the targeting of those services to the poor.
- Effective assumption by government of its role as a regulator of private initiative.

- Provision of a framework ensuring justice, law and order and respect for human rights
- Appropriate public actions to address market failures, including those arising out of gender inequalities.

2.2.5 Level Five: impacts

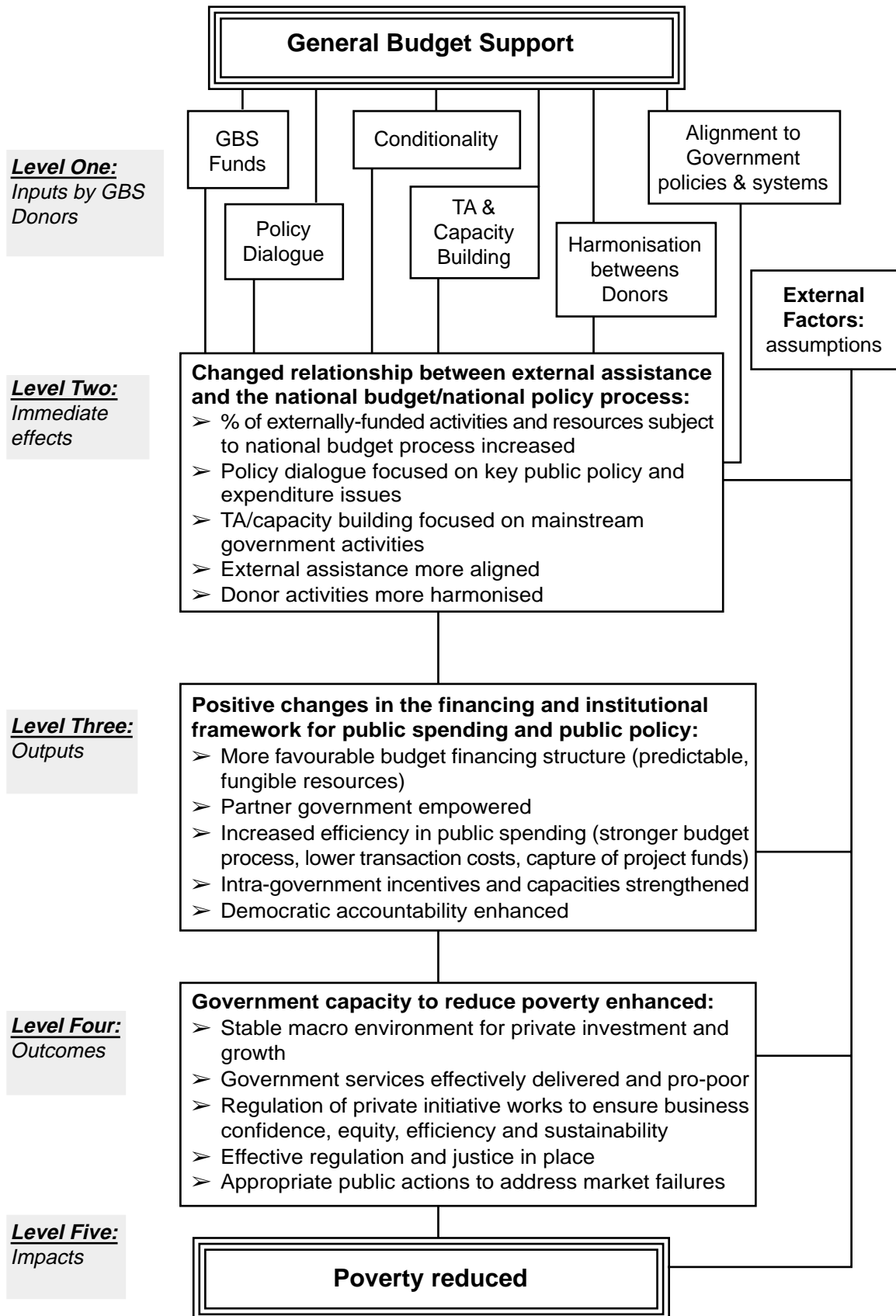
55. The desired final impact of GBS is that:

- Poor people should be empowered and socially included; and
- Poverty, in all of its dimensions, should be reduced.

56. This may be expected to happen, in the long term, so long as the expected outcomes are produced and so long as key assumptions hold true with regard to the growth and development process. Specifically, we assume that private agents accumulate assets and/or total factor productivity increases, leading to faster economic growth; the pattern of growth is pro-poor and/or effective redistributive mechanisms are in place; the growth is environmentally sustainable and the incidence of insecurity, injustice and abuse of human rights is reduced.

57. At all levels of the Framework, the postulated changes are non-automatic. However, this is particularly the case at the impact level, where the intended effects of general budget support are both long-term and highly conditional upon factors that are external to the principal causal chain. At all levels, evaluation work will focus on whether it is plausible that the theoretically expected effects are taking place. Since GBS is provided in support of poverty reduction, it is important that reasoning about the plausibility of linkages is taken down to the impact level. However, problems of attribution and evidence loom very large at this level. As discussed more fully in Section 6, the reasoning about impacts will depend more on reference to theoretical expectations, and less on direct evidence, than is the case at Levels 1–4.

Figure 1: Simplified logical framework analysis of General Budget Support



3 APPROACH AND METHODOLOGY

58. The Evaluation Framework presents a structure for undertaking country-level evaluations of ongoing budgetary aid operations. It is proposed as a framework for the joint evaluation of all general budget support (GBS) operations in place in the chosen countries. It is designed to answer the question:

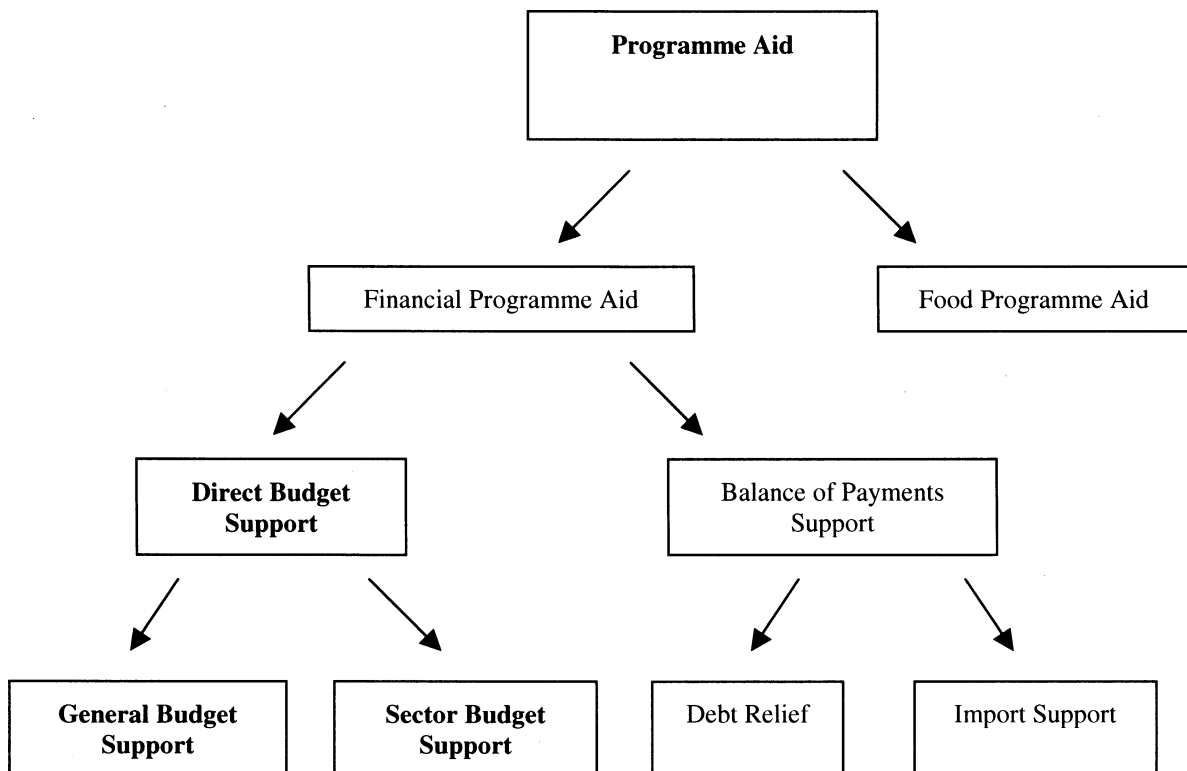
Is General Budget Support in Country X a relevant, efficient and effective aid modality for achieving sustainable impacts upon poverty reduction or its proximate determinants?

59. This section provides a short overview of the proposed evaluation methodology and answers a number of key questions likely to arise. It starts from a detailed discussion of the definition of different types of programme aid and budget support.

3.1 Defining budget support and programme aid

60. Budget support is a sub-set of programme aid, which is in turn defined as a transfer of external resources to a partner country. Programme aid may be made either simply to support the balance of payments and the prevailing exchange rate or with additional objectives in mind. The hierarchy from programme aid through to the different types of direct budget support is shown in Figure 2.

Figure 2: The place of General Budget Support within the programme aid ‘family’



Source: Adapted from White (1999).

61. There are a series of distinctions which are made within the Programme Aid hierarchy:

- Are the external resources provided in the form of foreign exchange or food aid?
- Are the resources converted into local currency? If so, is the resulting local currency made available to the government as budget support or is it retained by the Central Bank as would be the case with Balance of Payments support?
- Is the conversion into local currency *direct* (which is generally the case in countries with convertible exchange rates) or is it indirect, as used to be the case with General Import Programmes, when foreign exchange could only be used for eligible imports and when the conversion process was tracked?
- In the case of Direct Budget Support, is it made available for the overall budget with no earmarking or only notional (or 'virtual') earmarking? If so, this is called *General Budget Support* or *Macroeconomic Budget Support* (see Box 1.1, Section 1).⁵
- Where it is provided to the budget through the Ministry of Finance, but with 'real' sectoral earmarking, it is called Sector Budget Support (SBS). Sectoral earmarking in budget-support operations is often notional/virtual, in which case, the support should be properly regarded as GBS. (Box 3.1 below explains the differences between real and notional/virtual earmarking.) SBS is distinguished not only by real earmarking but also by the fact that the policy dialogue surrounding it (and any related conditionality) is focused at the sectoral level rather than at the level of the overall budget and overall strategic objectives.
- Debt relief may be considered a hybrid of the above categories. It is a type of earmarked budget support, which is not converted to local currency. However, it has a local currency effect in future years, due to the savings in debt servicing costs which are made possible. The use made of this saving may or may not be earmarked.

62. Section 4 below explains in more detail how the 'flow of funds' effects of budget support should be tracked and how the combined financial effects of different types of budget support may be assessed. The nature of the institutional effects arising from different types of budget support will also depend on the nature of the inputs which accompany the support. As we have noted, it is generally the case that GBS will include some element of each of the six inputs identified in the Framework. However, SBS and debt relief may also on occasions include several of these inputs. A useful guideline is not to pay undue attention to the name which is given to each type of operation, but rather to be careful in documenting exactly what the disbursement mechanisms are, as well as the related inputs and conditions.

⁵ The European Commission refers to earmarked budgetary aid as 'targeted' and non-earmarked as 'non-targeted'.

Box 3.1: Earmarking of budget support

Earmarking is a way of tying budget support to the financing of pre-specified items within the National Budget. Depending on whether the control over the external resources is *ex post* or *ex ante*, a distinction can be drawn between ‘virtual’ (or notional) and ‘real’ earmarking.

a) Virtual/notional earmarking

Where the control over the use of DBS resources is exerted *ex post*, the term ‘virtual earmarking’, or ‘notional earmarking’, is commonly used. In this system, DBS resources are made available to the budget according to a fixed disbursement schedule, with the use of these resources then being ‘justified’ against pre-agreed budget lines. This requires national authorities to ensure that spending against these lines is equal to or greater than the disbursed DBS tranches, but it permits resources to be managed through the normal banking and financing systems of government. So long as the reporting periods are quarterly or longer and the chosen budget lines are ones which would in any case have been financed, the DBS resources remain fungible and the costs imposed are purely administrative.

b) Real earmarking

Where spending on agreed budget lines needs to precede the release of DBS tranches, the earmarking process is real. Special bank accounts need to be created to hold the DBS resources until expenditures are confirmed and this means that resources are not fully fungible in the short term. In some cases, e.g. with European Commission’s ‘targeted’ budget support, an imprest advance may be made from the special account as a way of pre-financing budget lines, thus reducing the short-term constraints on fungibility. In so far as resources are directed to budget lines which would have been financed anyway, DBS resources will serve to liberate domestic resources, i.e. they will be fungible. Under these circumstances, beyond the short term, the main cost is again administrative.

The use of ‘real’ earmarking is one of the features distinguishing Sector Budget Support from General Budget Support in the terminology used here.

3.2 Overview of the proposed evaluation methodology

63. The methodology proposed is a detailed qualitative analysis of the public-policy and public-expenditure processes which are posited to be influenced by GBS. The influence of GBS is felt through both its institutional effects and the immediate ‘flow of funds’ effects – the financial and macroeconomic effects of providing external resources directly through the national budget. The Framework breaks down the chain of causality by which these effects are felt, drawing attention to the underlying assumptions and to the additional risks which may be created by external factors (outside of the Framework).

64. At Levels Two and Three, the ‘flow of funds’ effects are directly measurable. Their magnitude will be influenced by the composition of public finances, the overall level of aid financing and its composition as well as by the design of the GBS arrangements and by

the ways in which the Central Bank and the Ministry of Finance choose first to convert the foreign exchange to local currency and then to apply it to the budget. Section 4 below provides an explanation of how the ‘flow of funds’ effects should be recorded and tracked.

65. The key point to note is that at the outcome level, the ‘flow of funds’ effects of GBS upon macroeconomic and policy factors interact with its institutional effects. Moreover, the nature of interactions with external factors become more complex. Hence, in assessing the issues of effectiveness and impact which are of most interest in an evaluation of this kind, quantitative modelling of the causative factors becomes very difficult without high levels of simplification. The Framework chooses to avoid simplification and for this reason favours a structured qualitative analysis. This should not be misinterpreted as an ‘easy’ approach: it is data-intensive and will require careful application of good practice in qualitative research.

66. Some of the key features of this methodology are as follows:

- *Sources of information* need to be extensive and varied. GBS and other programme documents and monitoring reports, relevant government policy papers and academic and donor studies would all need to be carefully studied. Quantitative data on flows and their impacts need to be obtained from budget-support donors, the Ministry of Finance and the Central Bank. Quantitative data on procurement prices within key sectors are also needed. Finally, this information and the processes which they illustrate can only be interpreted through careful interviews with a variety of stakeholders, ‘triangulating’ information sources and opinions as necessary.
- *The time period* for analysis would normally be the present, with overall conclusions drawn from a comparison of the current situation with the preceding 3–5 years. Where quantitative indicators are required, these are available on an annual or less than annual basis, so the construction of 3–5 year trends is essentially what is required. For this reason, we recommend that country evaluations should only be undertaken where GBS has been in place for at least three years.
- *Analysis of attribution/causality issues* is based on careful reconstruction of case histories, giving detailed attention to the ‘assumptions’ and ‘risks’ identified in the Framework and to the sequencing of events from which causality might be inferred.
- *Analysis of the counterfactual* requires assessment of whether the same outputs and outcomes could have been produced equally or more efficiently and effectively by alternative aid modalities. This will be done by construction of alternative case histories and by an examination of the plausibility of these ‘alternative histories’. Within the context of single-country case studies based on qualitative analysis, this will usually be the only way in which the issue of the counterfactual can be approached,⁶ but it is a tried approach which can yield robust conclusions if properly applied.

⁶ Occasionally, there may be significant differences in funding modalities across sectors (e.g. a Health Sector SWAp funded by projects or pooled donor funds, while the Education Sector is part-funded by GBS). In this case, the counterfactual may be able to be approached by comparison of actual outputs and outcomes in the two cases.

3.3 Questions on coverage and application of the evaluation framework

3.3.1 Can the framework evaluate individual donor operations?

67. The independent evaluation of the GBS operations of a particular donor would appear to be conceptually and theoretically impossible – or at least so demanding in terms of data and analysis as to be impractical within the normal constraints of time and resources. Some judgements might be reached on the relevance of individual operations to a given country context and on the efficiency with which inputs have been provided. However, more important evaluation questions regarding efficiency, effectiveness, impact and sustainability cannot be rigorously addressed at the individual donor level.

3.3.2 Why is the framework focused at the country level?

68. The justification for the initial focus at the country level is partly pragmatic – in that cross-country studies will necessarily need to build up from standardised country-level evaluations. However, there is also an important point of principle in that evaluation work should result in practical conclusions of immediate use to partner countries as well as donors. Thus, the Framework has been designed to generate operational conclusions of immediate relevance to the country in question. By working within a relatively standardised framework, the basis for more generalisable conclusions will also be built up whilst not delaying country-level work unnecessarily.

3.3.3 Is the framework only relevant to ongoing operations?

69. The Framework relies on the qualitative interpretation of the answers to ‘test questions’, which are recommended to assess developments at different levels of the Framework. In some cases, these questions will have quantitative answers drawn from the analysis of economic and budgetary variables; but for the most part information will derive from interviews with the relevant stakeholders. Whether answers are quantitative or not, their significance is always interpreted qualitatively. Doing this effectively will require the construction of rich case histories which capture a wide range of simultaneous processes. It is difficult to imagine how this could be done *ex post* unless it was done immediately after the closure of particular GBS arrangements.

70. In general, the Framework proposed seems more likely to be useful as a type of mid-term evaluation of GBS operations. The situation at the time of evaluation would be assessed in the context of trends over the preceding 3–5 years (depending on the relative longevity of the operations and on the quality of historical data) in order to derive conclusions relevant for the design of current and future policies.

71. Clearly, once evaluations have been carried out, they would provide a historical record. This could certainly be of future use either as a way of ‘benchmarking’ developments at the country level or in the context of wider cross-country comparative work. It has been suggested that the value of the Framework in generating a historical record might be enhanced by the use of rankings or scores (e.g. x out of 6, or out of 10) to indicate for example the status of a particular outcome, or the extent to which GBS is considered a causative factor in that outcome. We have avoided the use of such scores primarily because

of the inherent danger of over-simplification which they bring. However, if the Framework is followed in consistent manner in different countries, it would be perfectly possible for subsequent researchers to add systems of scoring or ranking.

3.3.4 Which types of country and development contexts can it cover?

72. In principle, the Framework would be applicable to any of the country and development contexts where GBS has been provided. In general, these can be characterised by reference to the level of per capita income, the extent of aid dependence, the degree of institutional development (in particular the development of democratic institutions and the level of functionality of budget systems) and the years of experience with GBS. Each of these factors would be captured (amongst others) within the preliminary description of the country context. At least four broad contexts can be envisaged, depending on these characteristics:

- Low income countries, recently emerging from war or crisis, where GBS would be primarily aimed at facilitating macroeconomic stabilisation and giving a stimulus to the development of key Central Banking and budgetary processes. (This type of operation might be envisaged in a country such as Afghanistan or Sierra Leone.)
- Low income countries with relatively high aid dependence and some experience of programme aid/GBS. Depending on the degree of aid dependence and its political acceptability, the primary reasons to access GBS might vary between raising the level of resources available to government for poverty-reducing actions and adjusting the composition of aid resources so as to favour the use of national budget procedures. (The majority of GBS recipients fall within this group, which would include, for example, Burkina Faso, Mozambique, Tanzania and Uganda.)
- Low–middle income countries with low aid dependence, where the primary purpose of accessing GBS would be to raise the level of discretionary resources available to government so as to facilitate the financing of specific reform measures. (The Dutch Government, DFID, Asian Development Bank and World Bank GBS operations with the governments of Andhra Pradesh and Kerala, India, are a good example.)
- Middle income countries with low aid dependence, where the primary purpose of accessing GBS would be either to permit reform measures to be implemented in an accelerated manner or to permit an accelerated extension of public services to vulnerable or disadvantaged groups. (For example, EC Budget Support to EU accession countries or MEDA countries involved in the Barcelona process of convergence towards the European market.)

73. In all of these cases, GBS impacts can be expected to arise out of the mix of institutional and ‘flow of funds’ (financial/macroeconomic) effects posited in the chain of causality within the Evaluation Framework.

4 RECORDING AND TRACKING OF 'FLOW OF FUNDS' EFFECTS

74. As noted above in the description of the methodology, it is proposed that the institutional and 'flow of funds' effects of GBS should be evaluated simultaneously. This is both because sources of information are often the same and because the effects interact and therefore need to be interpreted together. Thus, the Evaluation Framework covers both these sets of effects. Nevertheless, in view of some of the technical intricacies involved in recording and tracking 'flow of funds' effects, this section of the Framework provides an explanation of how the process should be undertaken. A briefer discussion of the tracking of institutional changes follows in Section 5.

4.1 Tracking the financial effects of GBS fund flows

75. General Budget Support is provided in foreign exchange, which is placed with the Central Bank of the recipient country for converting into local currency and crediting to the central government account at the Central Bank. The volume and timing of the transactions involved in this process have direct financial effects in three areas:

- On the volume and composition of aid to the partner country.
- On the predictability and fungibility of budgetary resources and hence on the uses to which budgetary resources may be put.
- On the relative cost of funding annual budget deficits and within-year treasury operations to meet liquidity requirements.

76. In addition, these transactions may have both monetary and exchange rate effects. These will depend on the timing and means by which the national authorities choose to convert the foreign exchange, and on the compensating monetary policies which may or may not be put in place. These decisions are taken in order to sterilise all or part of the monetary increase that an inflow of GBS might otherwise represent. We deal here with the financial effects and turn to the particular problems of 'sterilisation' and 'Dutch Disease' under Section 4.2, where overall macroeconomic outcomes are considered.

4.1.1 Effects on the volume and composition of aid

77. As a first step in the evaluation process, a record needs to be made of the level of funding made available through DBS (i.e. both GBS and SBS). This step is essential even though the main focus of the evaluation is on GBS. It will need to draw on the accounting information available from donor agencies themselves, from the Central Bank and from the Ministry of Finance. For each operation and each of the years under study, this record should include:

- Details of the foreign exchange value (in US \$ terms) of each tranche made available.
- Details of the timing of the receipt of these tranches as compared with original disbursement schedules.
- Details of the local currency value of these DBS tranches and of the time at which conversion occurs and resources are credited to the central government account.

- From this information, it is possible to build a composite picture on a quarter-by-quarter basis of the inflows of foreign exchange and resulting local currency receipts for central government.
- This can then be compared with the aggregate schedule of planned disbursements as an input into the assessment of predictability.

78. This should then be compared with aggregate data on annual aid receipts by type to assess whether DBS has generated an increase in the volume of aid. Sources of information will vary by country but in general the most accurate estimate of foreign aid receipts will come from the Balance of Payments data of the Central Bank. This will permit a simple disaggregation between grants and concessional loans. The record of DBS flows will in turn permit grants and concessional loans to be sub-divided between DBS and 'non-DBS' flows, permitting a simplified analysis of the changing composition of aid. DBS flows should then be divided between SBS and GBS to assess in particular issues of predictability and fungibility.

79. This is the minimum that would be required for relevant evaluation conclusions to be drawn. However, it would be desirable for the composition of 'non-DBS flows' to be analysed more carefully in order to assess the counterfactual more accurately. Specifically, it would be important to identify parallel changes which do not derive from DBS arrangements but have effects upon the proportion of external funds on-budget, on the overall alignment of aid with national goals and systems, or on the extent of harmonisation between donors.

80. In particular, it would be useful to distinguish projects which are on-budget from those which are off-budget. It may also be useful to identify examples of common pool funding arrangements which remain off-budget but may nevertheless contribute significantly to harmonisation. In general, it is unlikely to be possible to obtain comprehensive data on these issues but in some cases the 'external resources department' (or its equivalent) of the Ministry of Finance or of Planning or of Foreign Affairs and Development Co-operation may provide such information. There may also be recent Sector Programming or Public Expenditure Review (PER) exercises which would provide sufficient information to obtain a sense of trends in these areas.

4.1.2 Fungibility, predictability and use of DBS resources

81. To the extent that DBS serves to raise the proportion of external funds subject to national budget processes, then it may permit fiscal actions – for example, tax reductions or additional public spending or faster debt repayment, which would not otherwise have taken place.⁷ The scope of these actions will be constrained by the medium-term expectations regarding DBS fund flows and by the extent to which the DBS resources are fungible – in the sense of being available to finance any approved budget activity, rather than being earmarked⁸ to specific activities – and predictable in the sense that the level and timing of DBS tranches can be planned for.

⁷ Unless resources are very closely earmarked, it is not possible in an accounting sense to trace the use of budget-support resources. However, in terms of analysing causality one may consider the changes to the national budget structure (the marginal use of public resources) as being related to the availability of DBS or GBS, although careful interpretation would be needed to assess the nature of the causal links.

⁸ For definitions of earmarking, see Box 3.1 above.

82. The following steps will need to be taken in order to make judgements on these issues:

- Firstly, a record needs to be developed of the evolution of the fiscal position during the period in question. This should take the form of a set of spreadsheets presenting the overall fiscal framework as well as a more detailed breakdown of expenditures.
- One of the key variables to observe is whether the level of discretionary spending⁹ has risen and whether the non-salary component of discretionary spending has grown or contracted (see Section 6, Level 2, effect no. 1).
- The schedule of DBS payments to the national budget (prepared as described above) should be supplemented with a record of whether payments are earmarked or not and indicating whether earmarking is 'virtual' or 'real' (see Box 3.1).
- The schedule described in Section 4.1.1 should already provide the basis for judging the predictability of actual flows in relation to initial schedules.
- Taking account of the apparent predictability and fungibility of GBS and SBS flows, the test questions related to Level 3 will then permit some assessment of the extent to which GBS has been a significant causative factor in the key changes noted in the fiscal framework, such as the protection or expansion of social spending or in unintended changes such as the stagnation of domestic revenues.

4.1.3 Effects on the relative cost of budget financing

83. GBS and SBS flows may also contribute to reductions in the relative cost of budget funding. In particular, they may reduce the need for potentially costly treasury management operations within the budget year and/or reduce the level of borrowing necessary to finance the budget deficit. Clearly, to the extent that DBS flows are both fungible and predictable, then the easier it will be to use them flexibly (to cover unforeseen financing gaps) and to use them strategically – for example, to pay off debts or incur new borrowing at the most cost-effective time.

- The level and composition of deficit financing would be one of the elements of the overall fiscal position as described in Section 4.1.2. The overall table should present clearly the range of fiscal actions (reduced borrowing, reduced taxation, increased spending) which the government have chosen to undertake in the context of DBS. It will be more difficult to estimate what the level of borrowing might have been in the absence of DBS, but interviews with senior partner government stakeholders should permit a judgement on whether public expenditure or borrowing is the binding target within the fiscal strategy and hence a 'guesstimate' over the borrowing level in the non-DBS scenario.

⁹ Discretionary spending is that element of public spending which is not constitutionally pre-assigned. The main non-discretionary items are normally debt servicing and pensions but the funding of the Auditor General's office and other constitutional entities may also be non-discretionary.

- Reductions in within-year budget financing costs will be easier to identify from the examination of trends in the cost of Central Bank overdrafts ('ways and means advances') and in the build-up of payments arrears.¹⁰ In analysing these movements, it is important to separate stock and flow effects.

4.2 Tracking monetary and exchange rate effects and macroeconomic outcomes

84. For a comprehensive treatment of the issues relating to the 'sterilising' of the monetary effects of DBS and the potential 'Dutch Disease' effects of aid as a whole, readers are directed to DFID, 'The Macroeconomic Effects of Aid', December 2002.¹¹ This provides a very clear explanation of these phenomena and also presents guidance on how to manage macroeconomic policy so as to avoid the potentially damaging effects of exchange rate and interest rate volatility on the private sector.

85. It should be stressed that GBS and SBS flows are only likely to generate problems of exchange rate or interest rate volatility in small countries with independent currencies and thin financial sectors, where DBS flows are lumpy and where there are institutional, political or technical constraints on the conduct of monetary and exchange rate policies. It is by no means a generalised problem.

86. For the purposes of an evaluation of general budget support, it should not be necessary to examine in detail the precise policy response to the receipt of each GBS and SBS tranche. Rather the objective should be to trace the overall evolution of interest rates, exchange rates and inflation so as to judge *ex post* whether policy has been well managed. In the event that significant fluctuations are identified, a detailed set of discussions with Central Bank officials should be sufficient to determine the source of problems.

87. In terms of assessing macroeconomic outcomes, the variables to examine would be readily available from Central Bank publications (or its Research Department), Ministry of Finance reports and IMF reports. The interpretation of causality is likely to be especially difficult but, within an evaluation time-frame, a more detailed quantitative analysis would be unlikely to yield positive returns. For the purposes of the planned GBS country evaluations, a qualitative judgement on causality should serve to yield significant conclusions so long as it is based on a wide canvassing of expert opinions and a careful analysis of existing research work.

¹⁰ Arrears in payments are often used as a short-term method of 'financing' expenditures. It is costly, however, both in terms of incurring penalties from suppliers and undermining confidence in government payment systems with a knock-on effect on the premiums added to public sector tenders.

¹¹ This is based on a more detailed technical note: www.dfid.gov.uk/pubs/files/macroeconomics_tech.pdf

5 TRACKING INSTITUTIONAL EFFECTS

5.1 General approach

88. A central activity in any country-level GBS evaluation will be assessing whether there are institutional changes of the sort indicated by the Framework, and whether the linkages between them are those suggested by the Framework. The first step in such an assessment will be accurately to *describe* the relevant institutional changes over the period of time in which changes assisted by GBS inputs might reasonably be expected. The next step will be to *interrogate* this description with a view to settling the difficult issues of causal interpretation that will certainly arise. Both steps are expected to be highly data-intensive, not because large volumes of numerical information will be relevant and available, but rather because of the need to build up a picture from a large set of well-triangulated stakeholder or key-informant interviews.

89. In the literature survey undertaken as background to the GBS Evaluability Study (Naschold, 2002) close consideration was given to the suitability of first- and second-generation governance indicators for measuring the institutional changes associated with GBS. The second-generation indicators appeared more likely to be helpful than the first-generation ones. However, in elaborating the Evaluation Framework, we have taken the view that efforts to measure institutional changes in a standardised way are not likely to be justified or feasible in the context of a country evaluation. Rather, the objective should be to arrive at a robust qualitative account of the most relevant changes, using the broad headings suggested by the 'programme theory' (Weiss, 1998) of GBS.

90. The interrogation of the described changes needs to cover:

- whether the description is reasonably complete and accurate.
- whether the changes are those postulated in the Framework.
- if so, why? That is, whether the changes are to a significant extent the consequence of changes arising from the GBS programme; or whether they are wholly or mainly the result of other factors.
- if not, why not? That is, whether the reasons the postulated changes have not occurred are those identified as external factors in the simplified version of the Framework, or as risks in the elaborated version (see Section 6).
- whether changes that do appear to be benefits arising wholly or in part from processes resulting from GBS, could also have been achieved by means of other types of donor inputs.

91. The last three issues call for the careful construction of hypothetical alternative histories in which the causal linkages are different from, or the reverse of, those suggested by the Framework. The hypothetical alternatives should be subjected to the same intensive assessment by stakeholder/informant interviews and triangulation of the results as has been applied to 'stories' that correspond to the Framework. 'Test questions' that may be helpful in directing evaluators' initial enquiries at each level are listed in Section 6.2. Here we provide only a few illustrative examples.

5.2 Typical lines of qualitative enquiry

92. *Between Level 1 and Level 2* (Inputs to Immediate effects), one type of question that will call for very careful attention is whether any improvements in the alignment of aid with national goals and systems is reliably attributable to either GBS, or to the aid-alignment efforts of GBS donors in particular. The hypothetical alternative to be subjected to systematic qualitative scrutiny, in this case, would be that it is rather the result of aid-alignment efforts by the government and donors in general.

93. *Between Level 2 and Level 3* (Immediate effects to Outputs), a typical issue will be whether any well-documented changes in the incentive structure within government are the product of the redirection of donor funds into the government budget – with other factors such as pay-policy reform contributing to the change – or are mainly due to these other factors. In the latter case, intensive probing through interviews should be used to form a view on whether GBS and its immediate results have been simply irrelevant, or are linked to the ‘other factors’ by a reverse causation.

94. *Between Level 3 and Level 4* (Outputs to Outcomes), close examination will be required first of all to establish whether the proximate determinants of poverty reduction identified at this level of the framework – such as effective and widely accessed primary health services – are showing signs of improvement. To the extent that they are, attention will need to be directed to whether this is due to changes that have made the budget more focused on priority services and on results, and/or efficiency gains arising from donors’ moving from projects to budget support. Research-based knowledge and DAC Guidelines would suggest these as likely explanations, but whether they are the actual explanations would need to be pursued with a range of informants in a position to know. Finally, a crucial further question to explore in the same way is whether similar or better results could have been achieved with similar efforts in a project modality or using a SWAp common-basket approach.

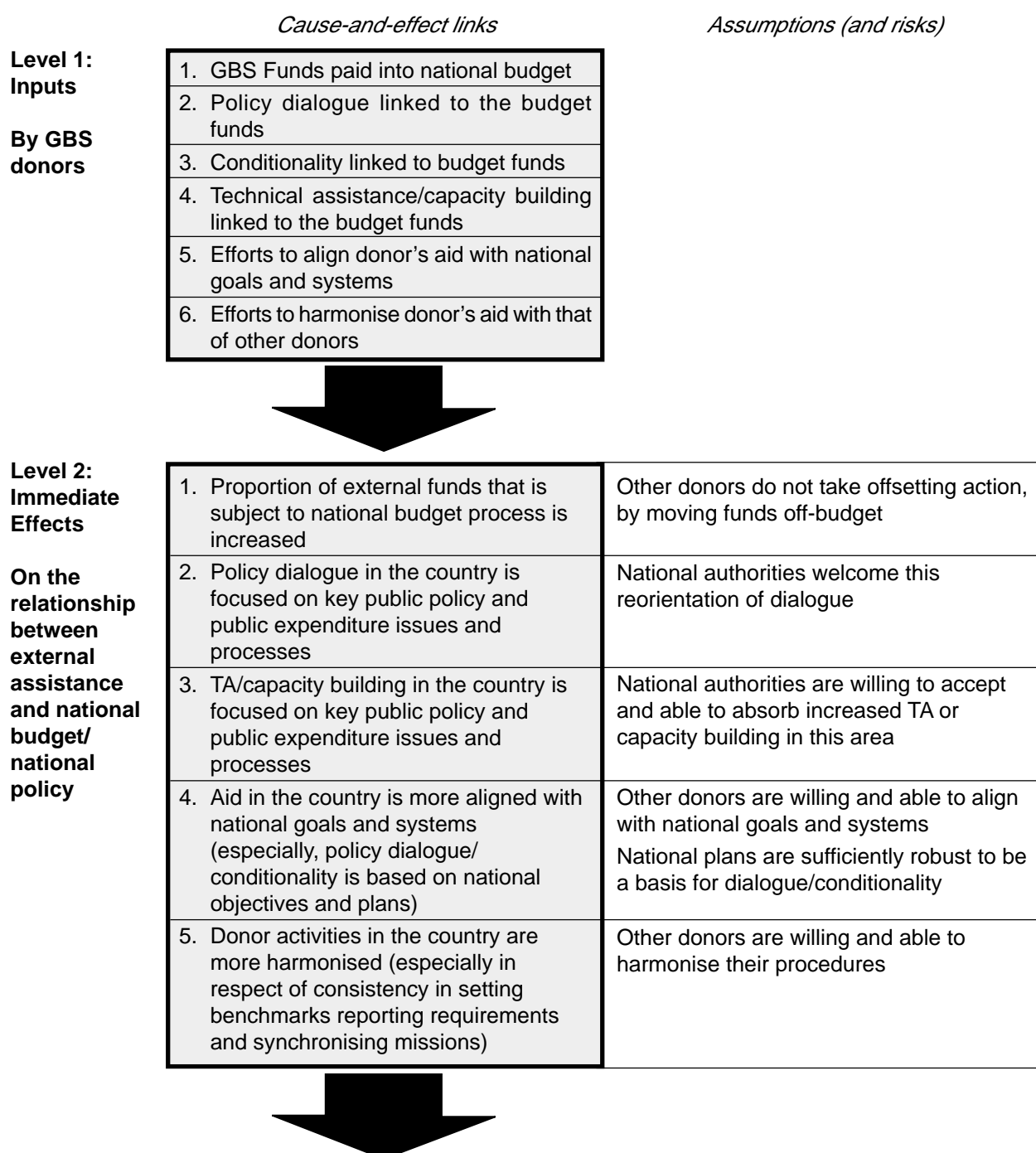
95. *Between Level 4 and Level 5* (Outcomes to Impact), a possible country scenario is that several of the proximate determinants of poverty reduction appear to have been put in place, and that this appears to have been assisted by an improved framework for public policy and public spending, but that the country’s PRSP monitoring system does not show improved impacts over the relevant period. Intensive qualitative enquiries would then be needed to permit a judgement as to whether this should lead us to question the GBS ‘programme theory’ or not. Critical parts of the answer will be whether other conditions specified in the Framework and known to be important were missing and/or factors specified as risks were present.

6 THE EVALUATION FRAMEWORK IN DETAIL

6.1 The chain of causality and the key assumptions

96. This section presents the Evaluation Framework in detail. The first step is to outline the chain of causality which is postulated and the relevant assumptions at each Level. This is done in Figure 3 below. Figure 3 is a more elaborate presentation of Figure 1, providing in particular a detailed treatment of external factors to be considered (Assumptions and risks).

Figure 3: Logical framework for evaluation of General Budget Support



	<i>Cause-and-effect links</i>	<i>Assumptions (and risks)</i>
Level 3: Outputs Improved financing and institutional framework for public spending/ public policy	<p>1. More favourable budget financing structure:</p> <ul style="list-style-type: none"> • More predictable funding flows • Higher level of fungible resources, which can be used flexibly • Incidence of liquidity shortfalls reduced, hence less use of Central Bank overdrafts and less accumulation of arrears • cost of funding budget deficit reduced 	<p>GBS inputs not undermined or offset by high level of earmarking of other budget support</p> <p>Donors disburse on terms that provide predictability to the partner government</p> <p>Partner government does not take actions that compel interruptions in disbursement</p> <p>Partner government has adequate reserve to cushion minor unplanned variations</p> <p>Cash management by MoF allows predictability of funding to line ministries/ local government, encouraging them to plan</p>
	<p>2. Partner government is empowered:</p> <ul style="list-style-type: none"> • to use the budget to bring public sector programmes into line with government goals (including poverty reduction) • to align PRSP processes with government systems and cycles • to promote alignment and harmonisation by donors 	<p>Political competition in the country is moving away from use of state resources for patronage, towards a focus on results</p> <p>Political leaders are prepared to take on political costs of new thinking centred on public expenditure management</p>
	<p>3. Efficiency of public expenditure is enhanced:</p> <ul style="list-style-type: none"> • by a more effective budget process (results oriented, transparent, participatory; with effective execution and audit) • by reductions in certain types of transaction costs to partner government • by improvements in allocative efficiency from increased capture of project funds in budget • with efficiency gains in public-service delivery in particular 	<p>Government is committed to budget reform, and this has been internalised in the civil service</p> <p>Transaction costs are large with previous aid modalities</p> <p>There were significant inefficiencies in previous allocations</p>
	<p>4. Intra-government incentives and capacities are strengthened:</p> <ul style="list-style-type: none"> • official reporting lines are more respected (vertical through government to cabinet, not horizontal to donors) • public-service performance incentives are strengthened, so that policies are made and implemented, audit and procurement systems work, and corruption is reduced • brain-drain effects of parallel project-management structures (permanent 'poaching' + temporary de facto employment of key staff) are reduced 	<p>Official reporting lines are still recognised in public service</p> <p>Government applies pay and performance-assessment policies that contribute to incentives</p> <p>The political balance in the country is shifting towards punishing official corruption</p> <p>Other donors do not increase parallel project-management structures</p>

NOTE:
Model of GBS club suggests conditions for predictability:

- Partners do not enter into GBS unless they both share key objectives, and understand each other's constraints
- Exit (non-disbursement) is limited by loyalty to this 'club'
- Effective consultation mechanisms are in place; the voice that this

	<i>Cause-and-effect links</i>	<i>Assumptions (and risks)</i>
Level 3: Outputs (continued)	5. Democratic accountability is enhanced: <ul style="list-style-type: none"> • greater role of parliament in monitoring budget results • accountability through domestic institutions for donor-financed spending is enhanced • conditions for all-round democratisation are thereby improved, including the trust of people in their government and hence their level of expectations 	Constitutional and political conditions exist for parliament to increase its role There are domestic constituencies and pressures for higher standards of accountability



Level 4: Outcomes Enhanced influence of government on the proximate determinants of poverty reduction	1. Macroeconomic environment is favourable to private investment and growth <ul style="list-style-type: none"> • inflation controlled • realistic exchange rate attained • fiscal deficit and level of domestic borrowing sustainable and not crowding out private investment 	There is political commitment to macro stability and pro-poor spending reform Macro conditionalities and recommended reform sequences are well chosen and executed Central Bank sterilises inflows so as to avoid negative effects on incentives to firms and households via exchange- and interest-rates
	2. Public services effectively delivered and pro-poor <ul style="list-style-type: none"> • Service delivery targets met for key pro-poor services • Evidence of increased use of services by poor (including poor women) 	Key service delivery targets can be established, agreed and monitored Pro-poor services can be effectively prioritised Service personnel are responsive to better and more pro-poor funding and management Access of poor to services can be positively influenced by better targeting
	3. Regulation of private initiative works to ensure business confidence, equity, efficiency and sustainability <ul style="list-style-type: none"> • Policies on corruption, property rights resolutely pursued • Market-friendly institutions developed 	Legitimacy of state is sufficient for regulatory role of public sector to be accepted Confidence is not powerfully weakened by factors outside national control, e.g. regional instability
	4. More effective and accountable government improves administration of justice and respect for human rights, as well as general confidence of people in government	Threats to national security do not become so acute that justice and rights are unable to share in general improvements in accountability and capacity
	5. Sector policies include public actions to address major market failures, including those arising from gender inequalities	Sector authorities do not confuse intervention to correct market failures with state interventions that prevent markets developing



	<i>Cause-and-effect links</i>	<i>Assumptions (and risks)</i>
Level 5: Impacts Empowerment and poverty reduction in all its dimensions	1. Poverty is reduced (in all dimensions)	Private agents accumulate assets, and/or total factor productivity increases, leading to faster economic growth The pattern of growth is pro-poor and/or effective redistributive mechanisms are in place The growth is environmentally sustainable The incidence of insecurity, injustice and abuse of human rights is reduced
	2. Poor people are empowered and socially included	Ethnic factors that justify exclusion are reducing Gender factors that restrain productivity and welfare of women and children are reducing

6.2 Evaluation questions and indicators

97. The remainder of this section suggests evaluation questions appropriate to each level. For each level, it then provides in tabular form more specific questions and examples of the sorts of indicators or ‘test questions’ that might be examined in order to address them. The questions and indicators may be considered as recommendations. Evaluators may be expected to select among, improve upon and/or add to the recommended lines of enquiry, depending on the scope and purpose of any particular evaluation exercise. Questions of a similar type would, however, always be required to enable judgements to be made about the nature and direction of the relevant causal linkages.

98. It should be possible to assess the expected and unexpected effects of the GBS programme, with the help of the indicators and test questions, down to the level of *outputs*. At the output level, the emphasis of the evaluation task is on using evidence to measure results, thereby shedding light on the validity of the ‘programme theory’ (Weiss, 1998) of GBS, or the conditions under which it is valid.

99. At the *outcome* level – the proximate determinants of poverty reduction – the relationship between evidence and theoretical expectations begins to shift. While changes may be established easily enough from available data on the country, attribution of the changes to the results of GBS on the previous levels becomes more difficult. On the other hand, the body of theoretical expectations to which reference can be made becomes a great deal more substantial. At the outcome level, therefore, the evaluation task can rest more heavily on pointing out why a particular linkage is expected, and whether the country evidence is consistent with such an interpretation. For this reason, in the table below the detailed evaluation questions for Level 4 are given as ‘specific theoretical linkages to probe’, rather than effects to be measured.

100. The same applies, but with greater force, at the level of *impacts* – that is, the reduction of poverty in all its dimensions, and the empowerment and social inclusion of poor people. At this level, the programme theory of GBS is equivalent to the entire stock of social scientific understanding of the proximate causes of poverty reduction and how these work. The progress of a country in reducing poverty will normally be tracked by the country’s

own PRSP monitoring arrangements. It will be sufficient for evaluators a) to take note of these results and b) to make reference to the stock of knowledge that justifies attribution of the changes to the kind of factors operating at Level 4.

101. The *sustainability* of the benefits attributable to GBS is a final issue that has a place among the relevant evaluation questions. However, evaluation teams should be asked to devise an approach to this question once it is clear what the demonstrable benefits are. This may be a suitable topic for research based partly on a cluster of evaluation reports.

102. Guidance on the research-based knowledge that is considered relevant to assessing outcome and impact linkages for GBS is given in the section on ‘Selected sources on output–outcome and outcome–impact linkages’ at the end of the report.

Level 1: Inputs

Evaluation questions

- **What inputs do the GBS programmes consist of?**
- **How *relevant* were the programmes when designed? How relevant are they now? Specifically:**
 - **what issues in the country situation are being addressed with GBS?**
 - **what are supposed to be the results?**
 - **what is the relationship between the components?**
 - **what preconditions or risks were identified at the design stage?**
- **To what extent does programme intent correspond to the Evaluation Framework?**
- **To what extent have the inputs been delivered by the GBS donors?**
- **To what extent have the same inputs been provided by other means?**

Questions and indicators by topic

Preliminaries

In all cases, evaluators should be encouraged to start by describing the essential features of the country context, including its level of aid dependence, per capita income, and institutional and political characteristics so as to enable evaluations to be validly compared.

The preliminary country analysis should also be sufficiently probing to provide a basis for judgements on the presence of preconditions.

Describing the GBS programmes

This is an essential part of the evaluation, and should take a significant part of the evaluators' time. This will be so particularly if evaluation is being undertaken jointly and is covering several distinct GBS programmes that may have different components and rationales. Some key points are the following:

- A central issue in the relationship between the components is the link between the funds and the dialogue, including disbursement conditions and earmarking.
- The analysis would be expected to include a brief comparison of the (explicit or implicit) rationale of the programme(s) and the Logical Framework diagram in Figure 1.
- The question about delivery of the inputs should elicit information about the timeliness of disbursements, the actual content of any negotiations or dialogue, the actual changes in the donor's behaviour in respect of alignment and harmonisation etc. (relevant indicators are suggested in connection with Level 2).
- Finally, an assessment as to the relevance of the inputs, given the stated objectives of the programme, should be made at this stage.

Level 2: Immediate Effects

Evaluation questions

- Which of the immediate effects associated with the identified inputs are being generated? (And which inputs or combinations appear to be mainly responsible?)
- Why/why not? (Is this the consequence of the presence or absence of key assumptions?)
- Is the programme an *efficient* method of obtaining these effects? (Could they have been achieved with fewer inputs by other means?)

Questions and indicators by topic

<i>Specific effects to be measured</i>	<i>Indicator or test question</i>
1. Has the proportion of external funds that is subject to the budget process increased? Has the level of discretionary expenditure in the budget been enhanced?	
Are there comparable data, especially trend data, on aggregate in- and off-budget disbursements by donors in the country?	\$ disbursed as DBS funds in general and GBS funds in particular + estimated total off-budget expenditure by donors for corresponding period
Discretionary funds are those not constitutionally pre-assigned, notably debt servicing but possibly including the funding of the Auditor General's office and other constitutional entities	% of discretionary expenditure in the budget % of non-salary discretionary expenditure in the budgets for primary education and health
Why/why not?	
Was the effect of the donor's GBS offset by the behaviour of other donors?	
Was this an efficient use of aid resources?	
Would a different disbursement modality have been as efficient in helping to bring total donor resources on-budget?	
As part of any evaluation, information should be collected at this level regarding other immediate fiscal impacts of GBS and SBS funds. This factual information on the 'flow of funds' is required to assess the possible financial and macroeconomic effects of GBS (Levels 3 and 4).	

<i>Specific effects to be measured</i>	<i>Indicator or test question</i>
2. Has policy dialogue in the country become more focused on key public policy and public expenditure issues and processes?	
As a consequence of the programme, has there been a shift in the focus of policy dialogue?	Estimate of total % of donor staff time in the country devoted to policy dialogue about PE content, processes and systems (e.g. sector strategies, budget, audit and official procurement)
Why/why not?	
In practice, have the national authorities welcomed this reorientation of dialogue?	
Was this an efficient use of aid resources?	
Could dialogue on these matters have been achieved without paying funds into the national budget?	

<i>Specific effects to be measured</i>	<i>Indicator or test question</i>
3. Has technical assistance and/or capacity building become focused on key public policy and public expenditure issues and processes?	
As a consequence of the programme, has there been a shift in the overall pattern of TA and capacity-building efforts?	Estimate of total % of TA and capacity-building effort in the country focused on mainstream business of government
Why/why not?	
In practice, have the national authorities been willing and able to absorb such support?	
Was this an efficient use of aid resources?	
Could this reorientation of TA/capacity building have been achieved without paying funds into the national budget?	

<i>Specific effects to be measured</i>	<i>Indicator or test question</i>
4. Have donors in the country aligned more of their aid with national goals and systems?	
Is policy dialogue/conditionality based on national plans (e.g. PRSP targets)? Is the PRSP robust enough to support this? If not, are donors responding by devising separate benchmarks or supporting government efforts to improve theirs?	% of prior actions, benchmarks etc. derived from PRSP monitoring matrix, compared with previous situation
Why/why not?	
Have the actions of other donors influenced the ability to deliver this output? Is the PRSP matrix sufficiently robust to serve this purpose?	
Was this an efficient use of aid resources?	
Could increased alignment have been achieved at lower cost with a different set of programme components?	

<i>Specific effects to be measured</i>	<i>Indicator or test question</i>
5. Have donor activities in the country become more harmonised?	
What have donors done to reduce the discrepancies between their benchmarks, reporting requirements and mission cycles?	Number of significant changes in the last year
Why/why not?	
Have the actions of other donors influenced the ability to deliver this output?	
Was this an efficient use of aid resources?	
Could increased harmonisation among donors have been achieved at lower cost with a different set of programme components?	

Level 3: Outputs

Evaluation questions

- Which of the indicated intermediate outputs of the GBS programmes are occurring and which are not?
- Why/why not? (Is this the consequence of the presence or absence of key assumptions?)
- Can these changes be reasonably attributed to the GBS inputs and immediate effects? Would they have occurred anyway, given the identified preconditions? (That is, is the association a causal one?)
- To the extent that beneficial effects of GBS are identified, which particular components of the GBS programmes seem primarily responsible?
- Was this an *effective* use of aid resources? (Could the same things have been achieved by other means?)

Questions and indicators by topic

<i>Specific outputs to be measured</i>	<i>Indicator or test question</i>
1. Have there been benefits to the predictability and fungibility of budget resources?	
• Has the overall predictability of budget funding been enhanced?	Disbursements of external funding (esp. GBS) in relation to agreed schedules
• Are the resources available for budget funding able to be used flexibly (fungibly)?	GBS as % of budget in relation to past years. Nature of earmarking on SBS, Debt Relief, etc.
• Has the cost of budget funding been reduced?	Interest on internal and external borrowing as % of budget (trends) Cost of within-year advances from Central Bank (Ways and Means Advances) Evolution of arrears in payments to suppliers

Why/why not? (general questions about predictability applying to outputs 1–5)	
Did disbursement terms favour or weaken empowering effects?	Disbursements as % of scheduled disbursements Weighted average deviation from schedule
Were government reserves enough to cushion variations?	Average level of government reserves as % of gross aid inflows

Did MoF disburse predictably to line ministries and local government?	<p>% divergence of annual expenditures from medium-term projections</p> <p>% divergence of annual outturns from Budget allocations for 'priority' and 'non-priority' sectors</p>
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<i>Specific outputs to be measured</i>	<i>Indicator or test question</i>
2. Is the partner government being empowered?	
<ul style="list-style-type: none"> Is the government using the budget to bring public sector programmes into line with government goals (including poverty reduction)? 	<p>Are actual allocations to sectors based on objectives?</p> <p>Can medium-term resource re-allocations be identified?</p>
<ul style="list-style-type: none"> Are PRS implementation and review processes aligned with the budget cycle? 	<p>What is the rationale of the current PRSP review cycle and who decided it?</p>
<ul style="list-style-type: none"> Is government active in promoting donor alignment and harmonisation? 	<p>What do donors think the government wants? Are there any sanctions arising from not complying?</p>
Why/why not?	
<p>Is political competition in the country moving away from use of state resources for patronage, towards a focus on results?</p>	<p>What does current political science say about the basis of political competition?</p>
<p>Are political leaders prepared to take on the political costs of the new thinking centred on public expenditure management?</p>	<p>What are the known attitudes of the leader of the government, and leading opposition figures?</p>
Would it have happened anyway?	
<p>Were GBS funds or associated policy advice a necessary condition for these outcomes?</p>	<p>Given the key preconditions, would these outcomes have been produced in the absence of the GBS programme?</p>
<p>Which GBS components seem primarily responsible?</p>	

Was this an effective use of aid resources?	
Would the same resources delivered by a project modality have achieved the same, worse or better results?	Visualise the counterfactual situation where the same funds and associated inputs had been used to fund projects. How would the empowerment effects have been different?

<i>Specific outputs to be measured</i>	<i>Indicator or test question</i>
3. Has the efficiency of public expenditure been enhanced?	
<ul style="list-style-type: none"> Has the budget process become more effective? 	<p>Are budget submissions programme-based or incremental?</p> <p>Is there a working MTEF? Is the relationship between public expenditure and results assessed and debated? If so, how openly?</p> <p>Are actual expenditures more consistent with approved allocations a) as a whole, and b) within priority sectors?</p> <p>What does the CFAA, CPAR or equivalent say about budget execution and audit?</p>
<ul style="list-style-type: none"> Have any transaction costs to the partner government fallen? 	<p>Has there been a reduction in procurement costs as a result of untying of aid? (See CPAR and available VFM audits)</p> <p>What impressions do senior civil servants give of the evolution of transaction costs?</p>
<ul style="list-style-type: none"> Are there improvements in allocative efficiency from increased capture or project funds in the budget? 	<p>Do line ministries get better value for money because of greater flexibility to a) match capital and recurrent spending, b) combine expenditures better in time, c) save on project-specific costs?</p> <p>% of undisbursed project balances as a proportion of total government expenditure</p>
Why/why not?	
Is commitment to budget reform both strong and widely spread in the civil service?	Is the MTEF programme or other budget reform progress widely regarded as a donor 'project'? If so, why
Were transaction costs under former modalities as large as supposed?	

How significant were the efficiency losses under former modalities?	% of projects and government investments that were less efficient than expected because complementary expenditures were not possible, or not undertaken at the optimal time % of managerial TA in former project costs
Would it have happened anyway?	
Were GBS funds or associated policy advice a necessary condition for these outcomes?	Given the key preconditions, would these outcomes have been produced in the absence of the GBS programme?
Which GBS components seem primarily responsible?	
Was this an effective use of aid resources?	
Would the same resources delivered by a project modality have achieved the same, worse or better results?	Visualise the counterfactual situation where the same funds and associated inputs had been used to fund projects. How would the results have been different?

<i>Specific outputs to be measured</i>	<i>Indicator or test question</i>
4. Have intra-government incentives and capacities been strengthened?	
• Are official reporting lines more respected?	Do officials respond more to their superiors and less to donor counterparts than in the past?
• Have public-service performance incentives been strengthened?	Are officials more motivated to do their jobs, because budget funds are available?
• Are disincentive and brain-drain effects on sector policy-making less than they would otherwise be?	Do sectors and local governments have the senior staff and staff commitment they need to formulate and implement policies?
Why/why not?	
Are official reporting lines still recognised in the public service?	What does the current civil service reform policy say on the subject?
Do other donors show respect for increased use of official reporting lines?	

Does the government apply pay and performance-assessment policies that help to motivate civil servants?	What is the salary spread between senior and junior positions? Compare public sector pay and service conditions with NGO and private-sector equivalents Do pay and promotion depend on a rigorous assessment of performance?
Do the actions of other donors counteract these effects, increasing the pulling power of parallel project management structures and NGOs?	Is the brain drain out of the civil service reducing or increasing? Can projects or NGOs buy the time of civil servants, at national or local level, via 'facilitation' etc.?
Would it have happened anyway?	
Were GBS funds or associated policy advice a necessary condition for these outcomes?	Given the key preconditions, would these outcomes have been produced in the absence of the GBS programme?
Which GBS components seem primarily responsible?	
Was this an effective use of aid resources?	
Would the same resources delivered by a project modality have achieved the same, worse or better results?	Visualise the counterfactual situation where the same funds and associated inputs had been used to fund projects. How would the results have been different?

<i>Specific outputs to be measured</i>	<i>Indicator or test question</i>
5. Is democratic accountability increasing?	
<ul style="list-style-type: none"> Is parliament assuming a greater role on monitoring budget results? 	What else happens after the budget is read in parliament? Does parliament have a role in budget preparation or monitoring?
<ul style="list-style-type: none"> Is there a stronger perception that domestic institutions have a responsibility and right to scrutinise donor-financed public spending? 	What is the frequency of press, radio or TV items asking questions about public spending? What difference does it make to this that the budget is partly donor-funded?
<ul style="list-style-type: none"> Are the conditions for all-round democratisation improved by changes in accountability for donor funds? 	Are electoral campaigns becoming more focused on issues of general interest, as opposed to promises of patronage?

Why/why not?	
Are the basic constitutional and political conditions favourable to parliament's increasing its role in the budget?	What does the Constitution say on the subject? Does political competition and the party system tend to produce significant parliamentary oppositions?
Are there factors in the country's changing political climate that are raising demands for greater accountability to domestic actors?	
Are there domestic constituencies for democratisation?	What national forces are pushing for democratisation independently of donor interest in the subject?
Would it have happened anyway?	
Were GBS funds or associated policy advice a necessary condition for these outcomes?	Given the key preconditions, would these outcomes have been produced in the absence of the GBS programme?
Which GBS components seem primarily responsible?	
Was this an effective use of aid resources?	
Would the same resources delivered by a project modality have achieved the same, worse or better results?	Visualise the counterfactual situation where the same funds and associated inputs had been used to fund projects. How would the results have been different?

Level 4: Outcomes

Evaluation questions

- What evidence is there that public actions are affecting the wider economy and society in ways which would have a positive influence on the proximate determinants of poverty reduction?
- If none, why not? (If affected by the presence or absence of key assumptions, are these of the theoretically expected sort?)
- To the extent that outputs are occurring, what evidence is there that there is a link to developments at the outcome level? How far are other factors at play?
- Could these same outcomes have been generated more easily by other means? In other words, have GBS operations been *effective* in generating outcomes?

Questions and indicators by topic

<i>Specific theoretical linkages to probe</i>	<i>Indicator or source of information</i>
1. Has macroeconomic stability been attained, of a type likely to encourage private investment and growth?	
• Have fiscal deficits (before and after grants) been consistent with targets?	Examine evolution of deficit with and without GBS
• Has the level of domestic borrowing served to protect a favourable interest rate for private investment?	Evolution of domestic borrowing and interest rates with and without GBS
• Is inflation more controlled than it would otherwise have been?	Rate of increase of CPI compared with without-GBS scenario
• Is the exchange rate realistic and relatively stable?	Movement of exchange rate compared with without-GBS scenario
• Has growth been higher than it would otherwise have been?	Annual % change in GDP compared with without-GBS scenario
• Is private investment growing or likely to grow?	Business opinion surveys for the country Data on private investment from national income accounts
Why/why not?	
Is there a Dutch Disease problem? Or a monetary sterilisation problem?	Recent studies of the role of aid in macro-management in the country
Was there political commitment to macro stability?	

Were the conditionalities and reform sequences sound and well executed?	Does expert opinion say that mistakes of timing or sequencing were made?
Would it have happened anyway?	
Were GBS funds or associated policy advice a necessary condition for these outcomes?	Given the key preconditions, would these outcomes have been produced in the absence of the GBS programme?
Which GBS components seem primarily responsible?	
Was this an effective use of aid resources?	
Would the same resources delivered by a project modality have achieved the same, worse or better results?	Visualise the counterfactual situation where the same funds and associated inputs had been used to fund projects. How would the macroeconomic results have been different?

<i>Specific theoretical linkages to probe</i>	<i>Indicator or test question</i>
2. Has the quality of services delivered to the public improved? Has the access of the poor improved?	
Have service delivery targets been met for key pro-poor services?	Performance against targets for service delivery established in PRSP/National or sectoral development plans
Is there evidence of increased use of services by poor (including poor women)?	Administrative or survey data on service delivery
Why/why not?	
Are there problems facing service personnel that would not be addressed with more resources and better supervision?	See any Service Delivery Surveys and/or VFM audits. Also reports from Civil Service Department or equivalent
Have there been difficulties in establishing/agreeing service delivery targets? Are these practical problems or is there an issue of political will?	PRSP documents and sectoral strategy papers Nature of political dialogue over PRSP and service delivery results
Are problems of access of poor to services amenable to better targeting?	Poverty profiles, service delivery surveys

<i>Specific theoretical linkages to probe</i>	<i>Indicator or test question</i>
3. Are regulatory efforts by government promoting business confidence and enhancing the equity, efficiency and sustainability of the growth process?	
Is regulation promoting business confidence? E.g. in addressing corruption, defining property rights, developing institutions and creating stable expectations about rules of the game	Business opinion surveys for the country
Why/why not?	
Is the region too unstable for improvements in government behaviour to make a significant difference?	
How much difference could effective regulation make?	Economic analysis of growth in the country
Why/why not?	
Is the legitimacy of the state sufficient for effective regulation?	

<i>Specific theoretical linkages to probe</i>	<i>Indicator or test question</i>
4. Is a more effective and accountable government improving the administration of justice and respect for human rights?	
Do general improvements in governance appear to be assisting justice and rights?	Amnesty International and HR Watch reports
Why/why not?	
Are there acute threats to national security that could block a reduction in rights abuses even though government is otherwise accountable and capable?	

<i>Specific theoretical linkages to probe</i>	<i>Indicator or test question</i>
5. Is the government developing sector policies that address major market failures, including those arising from gender inequalities?	
What evidence is there of positive actions? E.g. extension of market opportunities to asset-poor, risk-averse farmers; and secure women's rights to cash-crop income	
Why/why not?	
Is the culture of market-friendly interventionism sufficiently established?	

Level 5: Impacts

Evaluation questions

103. At this level, the progress of a country in reducing poverty and social exclusion, and empowering poor people, will normally be tracked by the country's own PRSP monitoring arrangements. As argued above, evaluators should be required a) to take note of these results and b) to make reference to the stock of knowledge that justifies attribution of the changes to the factors identified at Level 4.

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