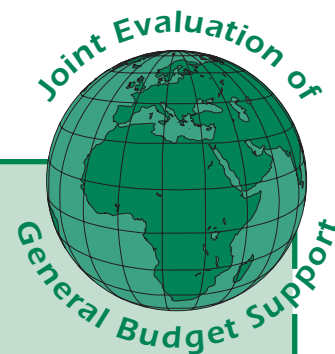


# Partnership General Budget Support: Synthesis Brief



**The Joint Evaluation of General Budget Support 1994–2004** was commissioned by a group of 24 aid agencies and 7 partner governments to assess to what extent and under what circumstances GBS is relevant, efficient and effective for achieving sustainable impacts on poverty reduction and growth.

This independent study was led by the International Development Department of the University of Birmingham. Its outputs are a Synthesis Report, and seven country case studies, for Burkina Faso, Malawi, Mozambique, Nicaragua, Rwanda, Uganda, and Vietnam.

## PGBS in the Study Countries

Partnership General Budget Support (PGBS) was evaluated in an illustrative sample of countries. Five of the seven case studies were from Sub Saharan Africa, covering a variety of historical backgrounds, aid relationships and administrative traditions. The other cases were from Latin America and Asia, and provided the least poor country in the sample (Nicaragua) and the least aid dependent (Vietnam). The study countries differed significantly in:

- their records of economic growth and poverty reduction;
- standards of public finance management (although, judging by the World Bank' criteria for institutional assessments, none were among the least capable states);
- the number of aid agencies participating in PGBS;
- the importance of PGBS relative to other modalities.

Debt relief under the Heavily Indebted Poor Countries (HIPC) initiative played an important role in the evolution of PGBS. The desire to allocate, and then monitor, HIPC resources to "pro-poor" expenditures increased the focus on public finance management systems, and PGBS became a way of providing general support to the Poverty Reduction Strategies instigated by HIPC.

First-round Poverty Reduction Strategies tended to focus on expanding the delivery of basic services. Later versions have paid more attention to promoting economic growth.

Disbursements of PGBS are summarised

in Table 1. Almost USD 4 billion was disbursed during the evaluation period, most of it between 2001–2004.

Uganda received much more than any of the other sample countries, but PGBS was also very significant in Mozambique, Burkina Faso and Rwanda.

Both within and between countries there were significant differences in the approaches adopted by different aid agencies (notably in the types of conditions and performance indicators used).

## PGBS and Other Aid Modalities

In all cases, PGBS was used in conjunction with other forms of aid (including projects and sector support). The evaluation found:

- Differences between general budget support and sector budget support are not so sharp as had been assumed.

- PGBS and other modalities could be used to complement each other. For example:
- PGBS donors pursued anti-corruption strategies with a variety of instruments.
- PGBS was often useful in addressing cross-cutting issues.
- PGBS effects on harmonisation and efficiency also benefited other forms of aid. Conversely, persistence of off-budget project aid tended to undermine the benefits of PGBS.
- Taking safeguards into account, PGBS was not more vulnerable to corruption than other aid modalities.

## Overall Assessment

The overall assessments by the country studies were clearly positive except in two cases. In Malawi a first effort at PGBS stalled due to over-optimistic expectations concerning macroeconomic discipline. In

## What is Partnership General Budget Support?

General Budget Support (GBS) is aid funding to government that is not earmarked to specific projects or expenditure items. It is disbursed through the government's own financial management system. Although the funds are not earmarked, they are part of a package which includes dialogue and conditions, technical assistance and capacity building, and donor efforts to harmonise their aid and align it with government strategies and procedures.

Partnership GBS emerged in the late 1990s to support national poverty reduction strategies. By channelling funds through national systems, it also aims to strengthen national planning and implementation capacity, increasing the effectiveness of all public expenditure, including aid.

**Table 1: Partnership General Budget Support in the Study Countries**

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total	%
<b>Total Partnership GBS disbursements (USDm)</b>													
<b>Burkina Faso</b>								82	109	144	165	<b>500</b>	13%
<b>Malawi</b>							58	48	0	14	28	<b>148</b>	4%
<b>Mozambique</b>							30	88	101	154	239	<b>611</b>	16%
<b>Nicaragua</b>									6	8	63	<b>77</b>	2%
<b>Rwanda</b>							14	37	33	34	130	<b>248</b>	6%
<b>Uganda</b>					66	39	176	311	369	405	409	<b>1,775</b>	45%
<b>Vietnam</b>								150	123	140	157	<b>570</b>	15%
<b>Total</b>	-	-	-	-	<b>66</b>	<b>39</b>	<b>277</b>	<b>717</b>	<b>741</b>	<b>899</b>	<b>1,191</b>	<b>3,930</b>	100%
percent of sample	0%	0%	0%	0%	2%	1%	7%	18%	19%	23%	30%	100%	

Source: see Annex B of the Synthesis Report for full details. Totals are rounded

Nicaragua, significant funds have only recently begun to flow and it is too soon to provide an ex post assessment.

The variety of designs and contexts for PGBS requires care in generalising, but the following important conclusions are clear:

- (a) PGBS has been a relevant response to acknowledged problems in aid effectiveness.
- (b) PGBS can be an efficient, effective and sustainable way of supporting national poverty reduction strategies.
- (c) Provision of discretionary funds through national budget systems has produced systemic effects on capacity, particularly capacity in public finance management. These effects are government-wide.
- (d) PGBS tends to enhance the country-level quality of aid as a whole, through its direct and indirect effects on coherence, harmonisation and alignment.
- (e) PGBS's effectiveness in reducing poverty depends on the quality of the strategy that it supports. Given the bias of early poverty reduction strategies towards the expansion of public services, most of the effects of PGBS inputs so far have been on access to services, rather than income poverty and empowerment of the poor.
- (f) It is important not to overload the PGBS instrument, but in all cases a capacity to learn from experience suggests that PGBS could become more effective, and have a broader scope, over time.
- (g) The evaluation considered unintended and adverse effects of PGBS (corruption, undermining of revenue effort, unpredictability, crowding out of the private sector). It did not find adverse effects that outweighed the benefits of PGBS, but all these risks need to be taken into account in the design of PGBS (and of other aid).

- (h) The characteristic objectives of PGBS are long-term and it is therefore important to reduce the risks of interruptions in support.
- (i) PGBS is part of a family of

programme-based approaches (PBAs). Many of the study findings are also relevant to PBAs in general.

### Main Recommendations

#### On the scope and focus of PGBS:

- PGBS may be relevant in a wide variety of contexts. Follow an incremental approach in using it.
- Do not overload PGBS with unrealistic objectives or with too many reform tasks.
- Keep a focus on its central role in strengthening public expenditure management.

#### On capacity development:

- Support capacity development by using government systems, and accelerate moves to bring aid funds fully on-budget.
- Support government-led capacity development strategies for public finance management.
- Strengthen the policy analysis, budgeting and expenditure management capacities of line ministries as well as finance ministries; also address local government capacity.

#### On policies and strategies that PGBS supports:

- Focus more on income poverty, economic growth, and the quality of basic public services.
- Improve poverty analysis, and develop long-term financing strategies for the Millennium Development Goals (MDGs),

#### On performance assessment and conditions:

- Keep disbursement-linked conditions to a minimum and ensure genuine agreement with government.
- Base decisions to increase or reduce levels of PGBS mainly on medium-term assessments of overall performance.

#### On managing risks:

- Retain the IMF role in monitoring macro-economic performance, but do not link all PGBS funds to the IMF's own conditions.
- Exploit the potential for budget support to help strengthen public finance management and limit corruption.
- Undertake more systematic analysis of political risk in relation to budget support.

#### On managing aid:

- Take more account of complementarity between aid instruments, including general and sector budget support, at country and sector level.
- Treat PGBS as a long term endeavour, and develop genuinely long-term budget support instruments to support the MDGs.
- Increase the in-country discretion of donors' local offices and strengthen both the central and the sectoral capacity of governments.
- Strengthen independent monitoring of the performance of donors and partner governments.

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The full report (and a longer summary) can be obtained from the OECD DAC website at:  
[www.oecd.org/dac/evaluation](http://www.oecd.org/dac/evaluation) or from the DFID website at  
[www.dfid.gov.uk/aboutdfid/performance/evaluation-news.asp](http://www.dfid.gov.uk/aboutdfid/performance/evaluation-news.asp)