

### Accompanying measures to general budget support in Sub-Saharan Africa

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# ACCOMPANYING MEASURES TO GENERAL BUDGET SUPPORT IN SUB-SAHARAN AFRICA

2015



**DEval**

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## **Abstract**

As a financial contribution harmonised among donors, general budget support facilitates the implementation of national poverty reduction strategies and promotes governance in partner countries. Apart from this financial contribution to the national budget, the standard budget support package also involves intensive policy dialogue between donors and the partner government, as well as accompanying measures to strengthen country systems. In the portfolio of German development cooperation, accompanying measures to budget support have gained in importance.

This evaluation was designed to examine if, how and under which circumstances accompanying measures to budget support can contribute to the objectives of budget support. Questions on the relevance, effectiveness and success factors of these measures were answered based on a literature study, a portfolio analysis, an online survey and semi-structured interviews. Furthermore, the interrelations between accompanying measures and other elements of the package of budget support were analysed.

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# EXECUTIVE SUMMARY

**G**eneral budget support<sup>1</sup> is considered to be a paradigmatic instrument for implementing the Paris Declaration on Aid Effectiveness in order to establish more effective development cooperation (DC). Budget support pursues the following objectives: (i) to provide funding for national poverty reduction strategies by means of a financial contribution which has been harmonised among donors and (ii) to promote governance in the partner country by accompanying jointly agreed reform processes. The financial support of donors is aligned to the priorities of the partner governments and enables the use of the partner country's own administrative procedures to reduce transaction costs. However, when country systems are not performing well, donors face high fiduciary and political risks. Therefore, the instrument of general budget support – especially among bilateral donors – has become increasingly controversial.

Ever since general budget support was first introduced at the beginning of this century, so-called 'accompanying measures'<sup>2</sup> for strengthening country systems have been implemented parallel to providing financial contributions. Whereas the standard package of general budget support consists of the donors' financial contributions flowing directly into the partner government's budget, it also includes accompanying measures, different conditionalities, as well as policy dialogue. Thus, accompanying measures are an integral part of the budget support package, not only in German DC, but also in most of the other bi- and multilateral budget support donor countries.

In the German portfolio, accompanying measures have substantially gained in importance during the last years. The European Commission, a major budget support donor, has also increasingly used accompanying measures to reduce risks associated with the allocation of budget support. However, despite the increasing number of evaluations of budget support, the level of knowledge about accompanying measures is rather low.

## Objectives and approach

The present instrument evaluation focuses on accompanying measures as one element of general budget support. In doing so, the evaluation deepens the understanding of how these measures work and improves the basis of knowledge required for making informed decisions regarding allocation, planning, and evaluation of budget support and its accompanying measures. A theory-based approach has been chosen to examine if, how and under which circumstances accompanying measures to budget support can contribute to achieving the objectives of budget support. The focus of the investigation was not on the effects of individual measures, but on the relevance, effectiveness (especially the interrelations with other elements of budget support), and success factors of accompanying measures as an element of budget support.

The evaluation of accompanying measures was conducted in nine countries in Sub-Saharan Africa receiving German budget support. The evaluation is empirically based on the analysis of written sources, interviews in person and by phone, as well as on an online survey. The data collected essentially represents the assessments of stakeholders involved in the process of budget support. When triangulating the data, a comparison of the different sources (literature, interviews, online survey) and the different perspectives (of bilateral and multilateral donors, partner representatives in the visited countries Mozambique and Tanzania, and independent experts) was considered. The combined and sequential use of qualitative and quantitative procedures for the data collection have ensured a solid basis of the data.

## Portfolio of German accompanying measures

The total commitment of German DC for general budget support from 2003 to 2013 amounted to just under 500 million euros in the nine evaluated countries of Sub-Saharan Africa (Burkina Faso, Ghana, Malawi, Mali, Mozambique, Rwanda, Zambia, Tanzania and Uganda). In this context, accompanying measures to budget support include all interventions of financial and technical cooperation which overlap in time with the allocation of general budget

<sup>1</sup> This evaluation focuses on general budget support. Hereinafter, the term 'budget support' refers to general budget support. References to other forms, as for example sector budget support, will be stated explicitly.

<sup>2</sup> Accompanying measures to budget support include all interventions of financial and technical cooperation which overlap in time with the allocation of general budget support and can contribute to the effectiveness of budget support due to interdependencies.



support and can contribute to the effectiveness of general budget support due to interdependencies. During the period of investigation, a total amount of 80 million euros was pledged for these accompanying measures.

Until 2010, the volume of both budget support and accompanying measures grew constantly. However, partly due to a phasing out of German budget support in several countries, general budget support has declined since 2010, while the volume of accompanying measures has continued to increase. In fact, accompanying measures grew substantially in proportion to budget support following 2010 and stood at 68 percent in 2013.

The majority of funds for accompanying measures were pledged to Zambia, Mozambique, and Ghana. For the entire period of the evaluation, the focus of accompanying measures has been on the area of 'public financial management'. A share of 60 percent of total commitments were allocated to this area. The remaining volume has been divided equally between the areas of 'support for the formulation and implementation of development policies and reforms' and 'strengthening democratic control by the parliament, civil society and the media'.

### **Relevance of accompanying measures**

Previous evaluations suggest that general budget support was most successful in the area of increasing poverty-related expenditures and - albeit to a lesser extent - in contributing to reducing income poverty. Furthermore, budget support can positively contribute to the dynamics of initiating and implementing reforms within sectors that are relevant for poverty reduction, as well as to strengthening cross-sectoral public financial management (including areas of fiscal transparency and accountability). Drawing from an overall view of existing evaluations and research work it is clear that budget support has fulfilled its financing function relatively better than its function to strengthen reforms or governance.

The present evaluation concludes that accompanying measures are relevant with regard to the effectiveness of budget support. They address weaknesses which cause

inefficiencies, as well as bottlenecks and problems within the budget support system. Accompanying measures are specifically applied to the appropriate areas for enhancing the country systems. Thus, they contribute directly to the objective of good governance, and indirectly to the objective of poverty reduction. In other words, in contrast to solely providing financial contributions, accompanying measures immediately address the reform or governance function of budget support. When implemented successfully, accompanying measures make an indirect contribution to the financial function of the instrument.

Although accompanying measures generally focus on relevant thematic areas, there are discrepancies in some areas between the severity of existing deficiencies and the degree to which these are addressed. This has been observed in the areas of 'budget implementation' and 'formulation of development policies' which have been respectively under- as well as over-addressed by accompanying measures.

Generally, accompanying measures increase the effectiveness of general budget support when they are implemented in a target-oriented, needs-based and demand-oriented manner. However, in times of declining general budget support, the instrument runs the risk of being undermined if the expansion of accompanying measures induces a de facto return to project aid. The focus of accompanying measures on public financial management is appropriate. Yet, a holistic approach should be pursued in order to both strengthen demands for more democratic accountability and to support development strategies.

### **Effectiveness of accompanying measures**

There are interrelations between the individual elements of budget support and the implementation of accompanying measures induces an added value to the effectiveness of general budget support. This is particularly apparent for interrelations with policy dialogue. Accompanying measures provide information about weaknesses within the budget support system, which influences policy dialogue at different levels. The experience gained in implementing accompanying measures increases the donors' professional skills and facilitates improved policy dialogue. Many donors

use the information from policy dialogue on weaknesses in the system to apply their accompanying measures in a more targeted manner to the identified problem areas.

The coordination of planning and implementing accompanying measures poses a challenge. So far, policy dialogue is not being used systematically to coordinate accompanying measures. The coordination depends on the aid modality, as well as on the respective thematic area: better integrated and jointly funded approaches differ from stand-alone offers of consultancy and support from individual donors. However, the area of public financial management is the most harmonised in this respect.

Another relation between the financial elements of budget support and the effectiveness of accompanying measures has been confirmed: embedding technical assistance and capacity building within the context of budget support also increases their effectiveness. In public financial management, accompanying measures are largely requested by the partners. In other areas, the majority of accompanying measures are supply-oriented.

There are some synergies between accompanying measures in the areas of public financial management and democratic control. On the supply side, accompanying measures increase budget transparency. In some cases, capacities were increased on the demand side and the democratic control function of local actors was strengthened. Such synergies have been observed in several countries during implementation, e.g. the simultaneous support of the court of auditors and the work of parliamentary committees. Given the continually growing complexity of the issues to be dealt with, the demand for accompanying measures by civil society, parliament, and the media is high.

### **Success factors for accompanying measures**

Budget support and accompanying measures are influenced by similar contextual factors upon which donors only have limited influence. Ownership and commitment of the partner government are both crucial success factors in this respect. These success factors are particularly high for accompanying measures aimed at strengthening public

financial management, because in this area the donors' interests correspond most clearly with the priorities of their partners. In other areas, the ownership of partners is lower. Harmonisation and alignment of donors to the priorities and structures of the partner countries also do not function as well. The relationship of trust between partners and donors depends on their reliability regarding compliance to agreements, disbursement of budget support, and the ability to provide coherent assessment of the Underlying Principles and for the Performance Assessment Framework (PAF). A comparable level of competence and experience of donor and partner representatives also promotes a relationship of trust in policy dialogue. Another important prerequisite for needs-based planning and implementation of accompanying measures is close coordination between donors and partners, within the donor group, as well as among German implementing agencies. This coordination works best if organised in active working groups for technical policy dialogue under professional leadership.

### **Conclusions and recommendations**

Accompanying measures contribute to the effectiveness of the instrument of budget support by strengthening country systems in critical areas and through their positive influence on policy dialogue. They can improve the acceptance of the instrument of budget support among increasingly critical parliaments of many donor countries, particularly since they reduce fiduciary risks of budget support.

**Recommendation 1 (BMZ):** The financial contribution of budget support should continue to be flanked with accompanying measures. The role of accompanying measures should be clearly defined and they should be given greater consideration when revising the BMZ guidelines on budget support. Implementing accompanying measures should begin at the latest with the disbursement of the financial contribution and continue for the entire period of granting budget support.

The basic principle of budget support has been to provide funds that are not earmarked. According to previous findings of budget support evaluations, the effectiveness of the instrument of budget support decreases when the

principles of budget support are not consequently implemented. In order to prevent undermining the instrument of general budget through a gradual return to project aid in the form of accompanying measures, it is necessary to maintain an adequate ratio of accompanying measures to budget support.

**Recommendation 2 (BMZ):** The financial contribution of budget support to a partner country should be considerably higher than the volume of accompanying measures. The ratio of accompanying measures to budget support should be aligned in a flexible way to reflect the requirements of the respective partner country: countries with weaker state-administrative structures should receive a higher volume of accompanying measures.

Currently, donors mainly use accompanying measures to strengthen public financial management in order to reduce fiduciary risks from the start - especially the risk of possible misappropriation. The past has shown, however, that the problem of misallocation to areas that are not a priority for reducing poverty, threatens the effectiveness of budget support at least as much as misappropriation.

**Recommendation 3 (BMZ):** In order to increase the effectiveness of budget support by means of accompanying measures, the planning of accompanying measures should be aligned to the actual systemic weaknesses. At the same time, the focus should not necessarily be on the immediate reduction of fiduciary risks.

Functioning public financial management is crucial for the effectiveness of general budget support as budget support depends on country systems. Accompanying measures, which modernise public financial management and thereby strengthen the partner systems, contribute not only directly to the budget support objective of good governance, but also indirectly to the objective of poverty reduction. Moreover, they contribute to reducing fiduciary risks.

**Recommendation 4 (BMZ):** Accompanying measures should continue to be focused on the area of public financial management. At the same time, more consideration should

be given to the interrelated thematic areas of improving development policy and promoting democratic control, as well as to sector and decentral levels.

Deficiencies in budget implementation are perceived as especially problematic for budget support in most of the recipient countries. At the same time, accompanying measures address these deficiencies only to a limited extent.

**Recommendation 5 (BMZ, GIZ, KfW):** Before planning accompanying measures, the entire budget process should be examined for weaknesses, from the budget preparation to the implementation of the budget. In countries where the problem of poor budget implementation partly traces back to insufficient budget planning, an improvement of budget planning can be the first step. At the same time, starting points for the support of budget implementation should be identified.

In the past years, budget support and accompanying measures contributed to increased budget transparency. It is necessary that institutions of democratic control provide continuous analyses and commentaries on budget information so that increased transparency will actually lead to improved budget implementation.

**Recommendation 6 (BMZ, GIZ, KfW):** Measures which lead to higher transparency of budget implementation should be increasingly implemented. In order to ensure the best possible use of the information provided, there should be parallel measures to increase capacities on the demand side. To better prepare and distribute information, it could be useful for some partner countries to build additional capacities for independent analyses or to better qualify existing capacities.

Given the observed decline in the allocation of budget support in many countries, the influence of donors and their ability to keep track of poverty reduction and of budget expenditures are diminishing. The accountability of the partner government towards local actors gains importance in such situations and has to be demanded by these actors.

**Recommendation 7 (BMZ, GIZ, KfW):** Particularly in countries where revenues are expected to be increasingly drawn from extractive industries in the near future, accompanying measures should be used to reinforce state and non-state actors, as well as institutions of democratic control, in their endeavour to demand accountability from the government.

Basket funding is an instrument which (in comparison to a large number of individual projects) involves a high degree of coordination. Thereby, the efficiency of cooperation also increases. Basket funds work especially well whenever there is a high degree of common interests between partners and donors, as well as among donors, and when the partner country takes the responsibility for implementing a good strategy. These requirements are often met in the area of 'public financial management'.

**Recommendation 8 (BMZ, GIZ, KfW):** When planning accompanying measures to strengthen public financial management, basket funds should be considered first. If the needs and requirements for successful basket funding are met, this should be the preferred option.

However, with regard to supporting democratic accountability in cooperation with actors outside the executive level of government, there are good reasons for a more pluralistic donor approach. Indeed, the support of democratic accountability benefits from social and political pluralism and promotes democratic participation more effectively, the more diverse the approaches of the donors are.

**Recommendation 9 (all donors):** In order to promote diversity of opinion and pluralism, accompanying measures can be used individually to support various civil society groups, including smaller ones, to achieve democratic control outside the executive level of government. However, these groups must be deeply rooted in the society of the partner country and committed to the basic rules of the democratic rule of law. Nevertheless, if several donors support the same institution of democratic control, for example a larger civil society organisation or a parliamentary committee, this support should also be coordinated.

The coordination of accompanying measures between partners and donors, as well as among donors, is in many ways not adequate. Policy dialogue is not used systematically to coordinate the planning and implementation of accompanying measures.

**Recommendation 10 (all donors):** Policy dialogue should be used to a greater extent to identify the needs for assistance together with the partners, and to coordinate accompanying measures within the donor group.

When the work of BMZ, GIZ and KfW is coordinated, an added value emerges for the entire package of budget support. Due to weaknesses in the coordination between KfW and GIZ, neither possible synergies between accompanying measures of German DC, nor opportunities within the flow of information in the policy dialogue are currently being realised to their full potential.

**Recommendation 11 (BMZ, GIZ, KfW):** In order to take advantage of synergies within German DC, the entire process of planning, implementing, and monitoring of current and planned accompanying measures should be conducted in close coordination between BMZ, GIZ, and KfW. Representation within the various bodies involved in policy dialogue should be based on prior agreement and a division of responsibilities.

Most of the evaluations of budget support consider accompanying measures only marginally, despite their increasing importance within the budget support package in recent years.

**Recommendation 12 (BMZ, EC, all donors):** In future multi-donor evaluations of budget support, the contribution of accompanying measures, i.e. the measures explicitly designed as accompanying measures, as well as the accompanying measures in a broader sense, should receive more attention.

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# ABBREVIATIONS

**AWZ**

Committee for Economic Cooperation and Development (Ausschuss für wirtschaftliche Zusammenarbeit und Entwicklung)

**BMZ**

German Federal Ministry for Economic Cooperation and Development (Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung)

**BS**

Budget support

**CHADEMA**

Chama cha Demokrasia na Maendeleo

**CRS**

Creditor Reporting System

**DC**

Development Cooperation

**DEval**

German Institute for Development Evaluation (Deutsches Evaluierungsinstitut der Entwicklungszusammenarbeit)

**DFID**

Department for International Development

**EC**

European Commission

**EU**

European Union

**FC**

Financial Cooperation

**FINMAP**

Financial Management and Accountability Programme

**GDP**

Gross domestic product

**GFG**

Good Financial Governance

**GGDC**

Good Governance and Development Contract

**GIG**

Informal Governance Group and Alliance

**GIZ**

Gesellschaft für Internationale Zusammenarbeit

**GoM**

Government of Mozambique

**GoT**

Government of Tanzania

**HoC**

Head of Cooperation

**IA**

Implementing Agencies

**IEG**

Independent Evaluation Group

**IMF**

International Monetary Fund

**IOB**

Policy and Operations Evaluation Department

**KfW**

KfW Development Bank (Kreditanstalt für Wiederaufbau)

**MDGs**

Millennium Development Goals

**NAOT**

National Audit Office of Tanzania

**NGO**

Non-Governmental Organisation

**OECD**

Organisation for Economic Co-operation and Development

**OECD-DAC**

Development Assistance Committee of the OECD

**PAC**

Public Accounts Committee

**PAF**

Performance Assessment Framework

**PBA**

Programme-based approach

**PFM**

Public Financial Management

**PFMRP**

Public Financial Management Reform Programme

**PRSC**

Poverty Reduction Support Credit

**SAIDI**

Supreme Audit Institution Development Initiative

**SECO**

State Secretariat for Economic Affairs

**SISTAFE**

Sistema de Administração Financeira do Estado

**SWAP**

Sector Wide Approach

**TA**

Technical Assistance

**TC**

Technical Cooperation

**WGI**

Worldwide Governance Indicator





1.

# INTRODUCTION

**G**eneral budget support<sup>3</sup> is considered to be a paradigmatic instrument for implementing the Paris Declaration on Aid Effectiveness in order to establish more effective development cooperation (DC). Ever since the instrument of general budget support was introduced at the beginning of this century, so-called ‘accompanying measures’ for strengthening country systems have also been implemented parallel to providing financial contributions. Thus, accompanying measures are an integral part of the budget support package, not only in German DC, but also for most of the bi- and multilateral budget support donors. In the German portfolio, accompanying measures have substantially gained in importance in recent years. The European Commission, a major budget support donor, also increasingly uses accompanying measures to reduce the risks associated with the allocation of budget support. However, despite an increasing number of evaluations of budget support, knowledge about accompanying measures is still rather low. The present evaluation contributes to bridging this evaluation gap.

In the following sections, the context of this evaluation is described (chapter 1.1) before the subject of the evaluation (chapter 1.2), the objectives, and evaluation questions (chapter 1.3) are set out in greater detail.

## 1.1

### Context: Budget support and accompanying measures

Since the mid-1990s, the effectiveness of DC has been debated intensely. The starting point of the discussion was a growing dissatisfaction with the perceived lack of success after four decades of DC. One strand of the debate focuses on the importance of political institutions, such as democracy and the rule of law, for economic development (Acemoglu et al., 2002; Knack and Keefer, 1995; World Bank, 1996). It is argued that DC is especially effective in countries,

where a certain degree of ‘good governance’ prevails (Burnside and Dollar, 2004; Svensson, 1999). Furthermore, DC should promote political structures which are based on inclusive participation, transparency, and accountability. A second strand of this debate on effectiveness draws on the Millennium Development Goals (MDGs). According to this perspective, developing countries are caught in a poverty trap, of which they can only be freed by providing massive external financial flows (Sachs, 2005). A third strand of the debate refers to the weaknesses of traditional development interventions, which often only have limited effects at a local level, cause high transaction costs, and hardly achieve ownership of the partners (Koeberle et al., 2006; Leiderer, 2009). As a result, the ownership of partner countries or governments should be strengthened and a harmonisation of donor support aligned with the development priorities and structures of partners should be promoted.<sup>5</sup>

Alongside these debates, new instruments of DC have been developed. Under the auspices of so-called Programme-Based Approaches (PBA), general budget support particularly serves all three of the mentioned reform debates and is considered to be a paradigmatic instrument for the improvement of ownership, alignment to partner structures, and harmonisation.<sup>6</sup> Within the scope of general budget support, several donors jointly assist a single partner country in a coordinated way in order to implement national development or poverty reduction strategies. Thereby, the objective of poverty reduction is pursued through the provision of external funds (financing function) and by the promotion of sector-specific and cross-sectoral reforms (reform or governance function).

#### Box 1. Elements of general budget support

On the one hand, the standard package of general budget support consists of the financial contributions of donors, which are granted directly to the budget of the partner government. On the other hand, the budget

<sup>3</sup> This evaluation focuses on general budget support. Hereinafter, the term ‘budget support’ refers to general budget support. References to other forms, as for example sector budget support, will be stated explicitly.

<sup>4</sup> Accompanying measures to budget support include all interventions of financial and technical cooperation which overlap in time with the allocation of general budget support and can contribute to the effectiveness of budget support due to interdependencies.

<sup>5</sup> This debate has resulted in a broad consensus on the five principles of DC: (i) ownership of the partner countries, (ii) alignment of donors towards the strategies, institutions, and procedures of the partners, (iii) harmonisation of donors’ activities, (iv) managing for results, as well as (v) mutual accountability of donors and partners for development results (OECD, 2005). These five principles have been signed in the Paris Declaration in 2005 by 91 states, 26 international organisations, as well as 14 civil society groups, and have been confirmed by the subsequent agreements of Accra (2008) and Busan (2011).

<sup>6</sup> General budget support is considered to be an ideal type among Programme-Based Approaches (PBA) as it comes closest to fulfilling the requirements of effective DC. Sector budget support, basket funding known as Multi-Donor Trust Funds, and TA-Pooling, as well as individual projects carried out within the scope of PBAs, fulfil the criteria of PBAs to a lesser extent. (Pech, 2010: 5ff).

support package includes non-financial elements, not only accompanying measures, but also different conditionalities and policy dialogue. The Underlying Principles (UPs) define the core conditionality. They set the basis for the allocation of general budget support and can result in the phasing out of budget support in case of non-compliance. Furthermore, in the context of Performance Assessment Frameworks (PAF), objectives and indicators relating to different areas of the national development plan are agreed upon between donors and the partner government. Compliance is at least partially relevant for disbursements. Policy dialogue between the partner government and representatives of the donor countries is held on several levels. Discussions on reform progress and the assessment of PAF objectives, are held on a technical level in sector working groups, as well as in (bi-) annual reviews. Additionally, overriding strategic issues are discussed in policy dialogue between representatives of embassies and high-level representatives of the partner government. In case of an infringement of the UPs, this level of policy dialogue allows donors to express their concerns and to negotiate countermeasures with the government. As a third, non-financial element of the budget support package, accompanying measures are utilised to strengthen the capacities of the government and other institutions in the partner country directly and thereby increase the effectiveness and efficiency of the use of funds.

Between the financial and non-financial elements, interrelations conducive for development are supposed to emerge. Conditionalities, policy dialogue, and accompanying measures should contribute to strengthening the orientation toward development in the partner country and to increasing the effectiveness of the financial contribution of budget support. In turn, the financial contribution serves as a leverage for the effectiveness of non-financial elements (de Kemp et al., 2011: 36ff; Nilsson, 2004).

By means of a financial contribution harmonised among donors, general budget support should increase the predictability of support and make a significant financial contribution to poverty reduction. This contribution must be aligned to the priorities of the partner government and use their administrative procedures in order to reduce transaction costs (Koeberle et al., 2006; Leiderer, 2009). According to the principles of effective DC, development objectives are not financed directly through projects, but indirectly through the support of activities of the partner government. The effectiveness of funds provided by budget support largely depends on the public interest orientation of the partner government and on the quality of country systems.<sup>7</sup>

When the quality of the country systems is insufficient, donors run high fiduciary and political risks. Therefore, the instrument of general budget support is controversial, especially among bilateral donors. On the one hand, fiduciary risks involve the danger of misappropriation of the funds provided. On the other hand, there is a risk of misallocation of budget support funds by recipient governments, for example, through the allocation of additional budget funds to non-poverty related purposes.<sup>8</sup> Political risks arise from the fact that the provision of general budget support implies a certain level of trust in the political legitimacy, reform capacity, and institutions within the partner country, all of which can be substantially damaged by human rights violations, anti-democratic events, and political corruption. Critical studies also point to the danger of unilateral assistance to the executive level of government by means of budget support, which can have negative impacts on the internal accountability of the government to the parliament and citizens (Koch and Morazan, 2010; Manning and Malbrough, 2012; de Renzio, 2006). Furthermore, donors fear that budget support reduces the incentive to generate own revenues. In order to reduce these risks, budget support is only provided selectively to countries fulfilling certain entry criteria.<sup>9</sup> In these cases donors try to promote cross-sectoral reforms and good governance by means of budget support.

<sup>7</sup> Country systems are understood to include the system of public financial management, as well as the broader political system, as for example the control function of the parliament.

<sup>8</sup> In this evaluation, fiduciary risks are considered in their narrower definition. Due to analytical reasons, these include misallocation and misappropriation of funds, but exclude the risk of inefficient utilisation. At the same time, the risk of misallocation and misappropriation also exists within development aid projects, due to the fungibility of DC.

<sup>9</sup> The selection of countries is based on the analysis of political, fiduciary, and macroeconomic framework conditions. A prerequisite for German budget support is a medium level of governance according to criteria in these three areas, as well as to observable positive development trends (BMZ, 2008: 15f).

### Box 2. Results regarding the effectiveness of general budget support

A number of recently presented evaluations reveal important findings on the effectiveness of general budget support. There are particularly reliable results with respect to the financing function of budget support. In this area, improvements of allocation efficiency in poverty-related budgeting has been observed (Caputo et al., 2011b; Tavakoli and Smith, 2013). The originally feared crowding-out effect – meaning reduced efforts by the partner government to generate tax revenues – was not found to be a systematic side effect (Caputo et al., 2011b; Knoll, 2011; Lawson, 2014).

Regarding the governance function of budget support, the evaluations give a mixed picture. In some countries, successes were achieved in the area of public financial management. Here, improvements in the quality of public financial administration and transparency in the budget process are at least partially attributed to budget support (Caputo et al., 2011b; Lawson, 2014; Tavakoli and Smith, 2013). Although, present evaluations agree that budget support has positive effects on reforms in public financial management or in poverty-relevant sectors, a high degree of alignment of interests between donors and the partner government as well as a foundation for good governance must exist (Caputo et al., 2011b; Dijkstra et al., 2012: 21f; Lawson, 2014: 10). Research on the effects of the instrument on democratic accountability is currently still minimal. Particularly the impacts of budget support on the work of parliament and civil society have not been sufficiently investigated by evaluations (Faust et al., 2012; de Kemp et al., 2011; Schmitt and Beach, 2014; Tavakoli and Smith, 2013).

The instrument of budget support pursues the following objectives: (i) funding the implementation of national poverty reduction strategies and (ii) promoting governance in the partner country by accompanying jointly agreed reform processes. After an initial phase which focused on the funding objective of budget support, different

interpretations of the instrument of general budget support evolved over time among donors.

While multilateral donors continued to focus on the financing function for poverty reduction, bilateral donors have begun to increasingly emphasise the governance and reform function of the instrument in the last years. Germany has placed great importance on the governance objective of budget support in its guidelines for the allocation of budget support in 2008. For several years now, the Department for International Development (DFID) has also adjusted its budget support more strongly toward the governance objective (Faust et al., 2012: 444; Hayman, 2011: 681f). With some delay, the European Commission also followed this trend to focus on the governance objective.<sup>10</sup>

Given the shifts in the prioritisation of objectives of the instrument, bilateral donor governments developed a more sceptical attitude towards general budget support. Due to changed risk analyses of donors, a significant decline in budget support commitments and disbursements has been recorded between 2007 and 2013. However, the reason for the decline in budget support is not the increase of fiduciary or political risks in recipient countries, but rather certain political and economic factors in the donor countries (Faust and Koch, 2014; Molenars, 2012). Many donors, including Germany, have partially or completely suspended budget support as a reaction to political crises and conflicts in partner countries. In the German budget support practice, disbursement holds and cuts have been justified with growing fiduciary risks. Complete withdrawal from providing budget support is directly linked to deteriorations in the fields of human rights and democracy (Faust, 2012b).

A change in the risk perception of donors is also shown by a stronger focus on systemic weaknesses in partner countries and a growing commitment to directly address these with accompanying measures. For example, this is seen by the sharp increase of German accompanying measures (see chapter 2). At the same time, the United Kingdom has committed to spend an amount equivalent to 5 percent of their budget support commitments on strengthening

<sup>10</sup> Following pressure of member states, a consultation process was conducted and the instrument of budget support was consequently reformed. In contrast to a previously strong focus on achieving the MDGs through the funding of MDG-Contracts, the new approach of the European Commission (with its new Good Governance and Development Contracts) increasingly aims at good governance and democratic consolidation (EC, 2012; Faust et al., 2012).



democratic accountability (DFID, 2011: 2). Finally, in the new Budget Support Guidelines of the European Commission, a Risk Management Framework was introduced, according to which the risks of the programme, as well as countermeasures such as policy dialogue or accompanying measures, must be clearly stated (EC, 2012: 42ff).

## 1.2 Evaluation subject and purpose

The BMZ-budget support concept of 2008 requires that accompanying measures be an integral part of the implementation of general budget support. The original idea of the German budget support approach included a combination of different instruments (project investments, basket funds, consultancy services) together with budget support. With this diversity of instruments, development synergies and leverage effects should be achieved while implementation and portfolio risks should be reduced (BMZ, 2008b: 4). The necessity of this complementary use of instruments has been emphasised again in the current BMZ-sector concept for the promotion of good governance in the area of public finance (BMZ, 2014: 24). However, it has not yet been determined which measures are regarded to be accompanying to budget support, nor how they can contribute to the intended objectives of budget support.

In the following sections, accompanying measures to budget support are considered to be all initiatives of financial and technical cooperation, which overlap in time with the allocation of general budget support and can contribute to its effectiveness due to interdependencies. Accompanying measures tackle three areas. However, in practice, these areas cannot always be defined distinctly and separately from each other (see chapter 2 about the German portfolio of accompanying measures).

1. Accompanying measures address the Ministry of Finance and Planning in order to strengthen the capacities needed for the organisation, implementation, and monitoring of development plans. A development strategy focused

on the core problems and potentials of the country is considered to be a basic prerequisite for granting budget support. Accompanying measures with targeted consultancy services, should help to improve the formulation, implementation, and monitoring of development plans and thereby increase the effectiveness of budget support.

2. Accompanying measures are implemented in Public Financial Management (PFM),<sup>11</sup> where government institutions, such as the national tax authority or the decentralised financial administration, can be strengthened to fulfil their tasks. Through the direct support to public financial management, accompanying measures should be able to contribute to increasing the effectiveness and efficiency of budget support.
3. Accompanying measures address the area of democratic control. Through such support, parliament, civil society, and the media should be in a better position to claim accountability of the government and to comment on their reports and figures. The improved control function of parliament, civil society and the media is relevant for the effectiveness of budget support given that the government will then align its budget policy more strongly to the needs of the population and the political space for the misappropriation of funds will shrink.

Besides the direct development benefit of increasing the effectiveness of budget support in the partner country, accompanying measures can also be beneficial from the donors' point of view: accompanying measures in the three areas mentioned above tackle fiduciary and political risks associated with budget support. In the short and medium-term, direct fiduciary risks can be especially addressed in public financial management. Long-term effects arise from accompanying measures in the area of democratic control and development policies, which aim to mitigate fiduciary as well as political risks.

In previous budget support evaluations, the contribution of accompanying measures has not yet been analysed in a systematic way. Generally, accompanying measures are found as an element in the applied intervention logic of

<sup>11</sup> Important elements of public financial management include: own revenues, public or national budget (budget planning, preparation, and implementation), budget control, public procurement, debt management and fiscal decentralisation. In addition to the technical elements of financial management, the elements of 'performance and transparency of the government' also belong to the area of public financial management (BMZ, 2014: 9).

budget support. In several evaluations, they are described on the input and output level of the intervention logic. (Caputo et al., 2011a: 6; de Kemp et al., 2011; Koeberle et al., 2006: 140; de Renzio, 2011: 3). The interrelated effects predicted for accompanying measures together with other elements of budget support, as well as the potential added value in increasing the effectiveness of budget support have not been examined in greater detail. So far, direct and indirect effects originating from individual accompanying measures have also not been examined.

This gap in existing budget support evaluations is often justified by the comprehensiveness of the evaluation subject and the limited availability of resources.<sup>12</sup> Previous evaluations indicate that the data and programme documents necessary for the analysis were either not available or could not be made available in a timely manner (Lawson 2015: 24f). In previous evaluations only measures directly linked to budget support (like basket funds in public financial management) have been taken into account. Moreover, a conceptual basis for a more specific analysis of the contribution of accompanying measures was missing. The intervention logic only illustrates the expected changes on different levels, but the underlying mechanisms of action for accompanying measures have not been specified (Schmitt and Beach, 2014). However, it is particularly these mechanisms that provide information about the effectiveness of an intervention (here the accompanying measures).

### 1.3 Objectives of the evaluation and evaluation questions

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The present evaluation examines if, how, and under which circumstances accompanying measures to budget support can contribute to achieving the objectives of budget support. Questions regarding relevance, effectiveness, and

certain success factors of accompanying measures are central to the evaluation. Nevertheless, this does not include a comprehensive evaluation of the effectiveness of individual accompanying measures. Instead, the investigation focuses on the interrelations between accompanying measures and other elements of budget support. The regional focus is on nine low-income countries in Sub-Saharan Africa.<sup>13</sup>

The results of the evaluation are based on data that has been collected by the evaluation team which captures various assessments of donor representatives, partner country representatives, and international experts, as well as on results of previous evaluations of budget support. The evaluation investigates the time period from the years 2003 to 2013.

The aim of the evaluation is to gain a better understanding of the role of accompanying measures as an integral part of general budget support and to enable a closer look at the ways they function. In development practice, implementing agencies (IAs) can use the results to better integrate ongoing accompanying measures with existing budget support programmes. The findings can be used by the BMZ to plan new interventions or to resume budget support programmes. Additionally, the evaluation helps to close a knowledge gap and provide further impulses for the debate on the effectiveness of budget support. The findings are also relevant for further developing the current methodological approach used to evaluate budget support. In this they can be used to further differentiate the intervention logic. Despite declining bilateral budget support commitments, the instrument together with its accompanying measures remains highly relevant for multilateral DC. As the main contributor in the EU and fourth-largest stakeholder of the World Bank, the Federal Republic of Germany plays an important role in this field.

<sup>12</sup> In this context, Tavakoli and Smith (2013) especially point to the lack of evaluation results regarding the effects and causal mechanisms of budget support on democratic accountability in the partner country.

<sup>13</sup> The limitation to the region of Sub-Saharan Africa is justified by its relevance within the portfolio of general budget support. Both German development cooperation and the international donor community conduct budget support activities mainly within the region of Sub-Saharan Africa. Between 2003 and 2013, 79 percent of the German general budget support was allocated to this region. The countries to be considered are: Burkina Faso, Ghana, Malawi, Mali, Mozambique, Rwanda, Tanzania, Uganda and Zambia.

**Table 1. Objectives of the evaluation**

Objective 1	Contribution to the planning of future accompanying measures within German DC and by other bilateral and multilateral donors, especially the European Commission.
Objective 2	Contribution to the international debate on the effectiveness of budget support by narrowing an evaluation gap regarding accompanying measures.
Objective 3	Contribution to conceptual and methodological discussions about evaluating budget support through refining the intervention logic by including the effectiveness of accompanying measures.

The evaluation questions capture German and international stakeholders' interests for learning based on preparatory interviews. The evaluation questions formulated have also

been matched with corresponding criteria of the Development Assistance Committee of the OECD (DAC) and the BMZ. The evaluation questions are listed in table 2.

**Table 2. Detailed evaluation questions and corresponding OECD-DAC or BMZ criteria**

	Evaluation questions	OECD-DAC/ BMZ-criteria
1	Can accompanying measures contribute to the objectives of budget support?	„Relevance“
1.1	Which problems prevent efficient functioning of budget support?	
1.2	Do accompanying measures address the areas which cause problems in the budget support system?	
2	How can accompanying measures contribute to the objectives of budget support?	„Effectiveness“
2.1	How do accompanying measures work in the context of budget support?	
2.2	What is the 'added value' of accompanying measures?	
3	Under which circumstances can accompanying measures contribute to the objectives of budget support?	„Effectiveness, coordination“
3.1	What are the success factors for accompanying measures?	
3.2	How can these success factors be reinforced?	

## 1.4 Structure of the report

Chapter 2 illustrates the subject of the evaluation based on the portfolio of German accompanying measures in Sub-Saharan Africa. In chapter 3, accompanying measures are embedded in the intervention logic of budget support. Impact hypotheses, as well as mechanisms, are thereby

derived for the empirical analysis. In doing so, the evaluation already comes to some important results. In line with the three overall evaluation questions, chapter 4 considers in detail the results concerning relevance (4.1), effectiveness (4.2) and success factors (4.3) of accompanying measures. Chapter 5 comprises conclusions and recommendations derived from the evaluation. In conclusion, a brief view of the current trends in budget support is provided.



2.

## PORTFOLIO OF GERMAN ACCOMPANYING MEASURES TO BUDGET SUPPORT



This chapter provides an overview of German DC involvement in general budget support, as well as of related accompanying measures in nine Sub-Saharan African countries. The compilation covers the period of 2003-2013, from the beginning of German budget support activities up to the latest official data available. The countries considered – Burkina Faso, Ghana, Malawi, Mali, Mozambique, Rwanda, Tanzania, Uganda and Zambia – have either received general budget support from Germany during that period or continue to receive it.<sup>14</sup> The focus of the analysis is on Sub-Saharan Africa. Given that both German DC and the international donor community have allotted their budget support activities mainly to Sub-Saharan Africa, an analysis of this region is of special interest. During the evaluation period, 79 percent of German general budget support was allocated to Sub-Saharan Africa, especially to Mozambique and Ghana.<sup>15</sup> The following evaluates the portfolio of German cross-sectoral accompanying measures exclusively to general budget support in Sub-Saharan Africa. Sector budget support and sector-specific accompanying measures are not taken into account. Furthermore, the portfolio analysis focuses on German accompanying measures to budget support; approaches of other donors are briefly described in chapter 2.3.

### Box 3. Definition of accompanying measures to budget support

Accompanying measures to budget support include all initiatives of financial and technical cooperation, which overlap in time with the allocation of general budget support and can contribute to its effectiveness due to interdependencies. Three layers of accompanying measures are differentiated according to their proximity to the financial component of budget support.

Accompanying measures of the first layer are measures described in the programme document together with budget support and are designed and labelled explicitly

as ‘accompanying measures to budget support’. They are exclusively measures of financial cooperation.

Accompanying measures of the second layer are independent measures of technical cooperation. In their practical implementation, these are related to budget support and therefore contribute to achieving the objectives of budget support.

Accompanying measures of the third layer are measures in which only individual elements are relevant for budget support, such as decentralisation programmes or interventions regarding the governance of natural resource utilisation. Accompanying measures of the third layer were not incorporated in the portfolio analysis, but were given consideration in the two short missions to Mozambique and Tanzania.

The portfolio analysis serves to describe the evaluation subject and to classify accompanying measures within the overall package of German budget support. The aim is to provide an overview of the German portfolio of accompanying measures related to general budget support. The methodological approach taken for the portfolio analysis is outlined in annex 8.1.

## 2.1

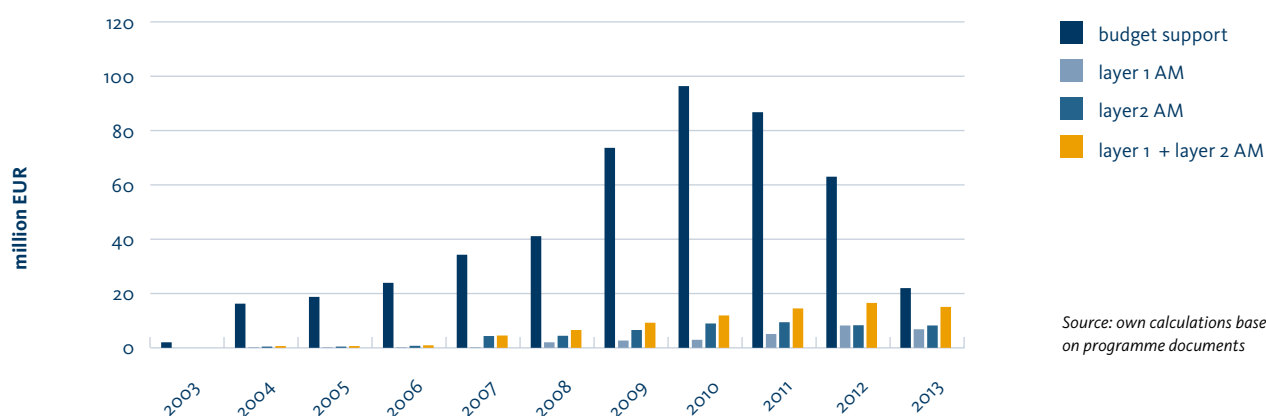
### Results of the portfolio analysis

The total commitment of German DC to general budget support amounted to almost 500 million euros in the nine examined countries of Sub-Saharan Africa between 2003 and 2013. In the same period, 80 million euros were committed to accompanying measures. This amount was allocated to 21 accompanying measures, some being partially implemented in several successive phases. From 2003 to 2010, the volume of not only general budget support, but also accompanying measures steadily increased. With Germany’s complete phasing out of providing budget support to several countries,

<sup>14</sup> German development cooperation was temporarily committed to budget support in three more countries of Sub-Saharan Africa. However, they are not taken into greater account within this evaluation. In 2005, Ethiopia once received 4 million euros general budget support from Germany in the form of co-financing World Bank Poverty Reduction Support Credits (PRSC). At the end of 2005, budget support was suspended by all donors due to human rights violations surrounding Ethiopian general elections. In 2007, Benin received a commitment amounting to 2 million euros for a pilot project of budget support disbursed in 2008. The German parliament rejected a continuation for 2009 due to too high fiduciary risks. In 2008, Madagascar received a budget support commitment amounting to 7 million euros. However, this commitment was not disbursed, given the coup against the president in 2009.

<sup>15</sup> Outside Africa, the countries Bolivia, Nicaragua and Vietnam have also received general budget support from Germany. Additionally, German sector budget support has been provided to Peru, Rwanda and Vietnam.

**Figure 1. German commitments of budget support and accompanying measures (AM) to nine recipient countries in Sub-Saharan Africa**

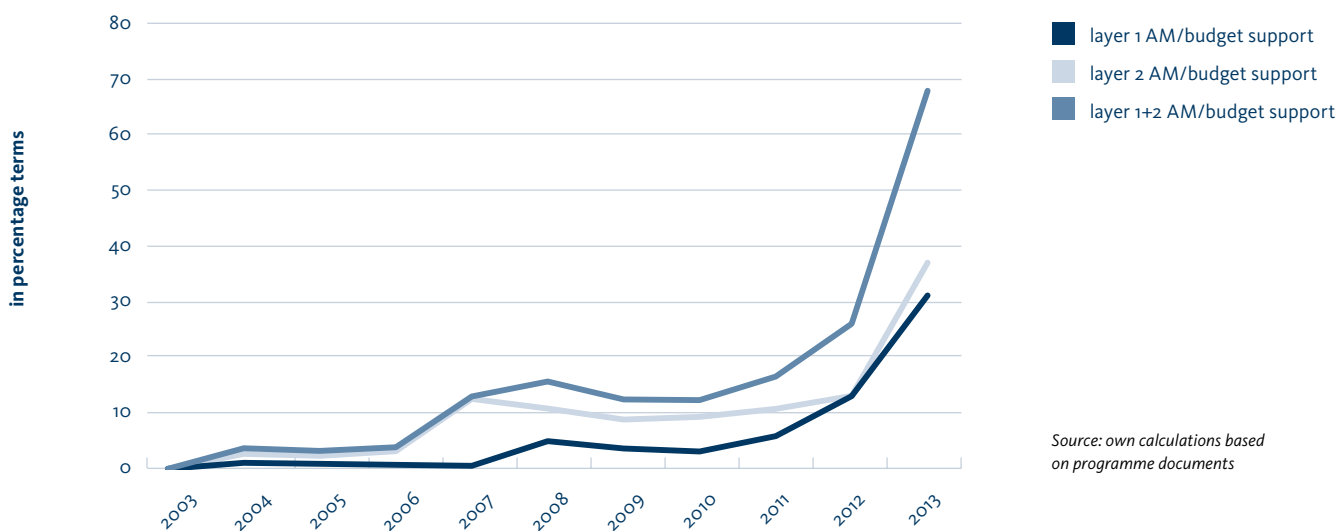


budget support has decreased from 2010 onward. However, the volume of accompanying measures continually increased (see figure 1). In relation to the financial element of budget support, the share of accompanying measures grew following 2010, adding up to 68 percent in 2013 (see figure 2).<sup>16</sup>

**Geographical allocation of accompanying measures**

Most of the funds for accompanying measures have been granted to Zambia (21 million euros, 26 percent of the total commitment), Mozambique (19 million euros, 23 percent of the total commitment) and Ghana (18 million euros, 23 percent of the total commitment). The allocation of

**Figure 2. Share of German commitments of accompanying measures (AM) in relation to German commitments of budget support in nine recipient countries in Sub-Saharan Africa**



<sup>16</sup> In 2014, outside the evaluation period, a new record of German commitment to budget support was reached at an amount of more than 350 million euros. This record was largely due to three comprehensive commitments of sector budget support totalling more than 330 million euros to medium-income countries Indonesia, Colombia and Mexico. For further information about the latest developments since 2014, see chapter 6.

accompanying measures to these countries has been stable over time (see figure 3a and b).

**Thematic allocation of accompanying measures**

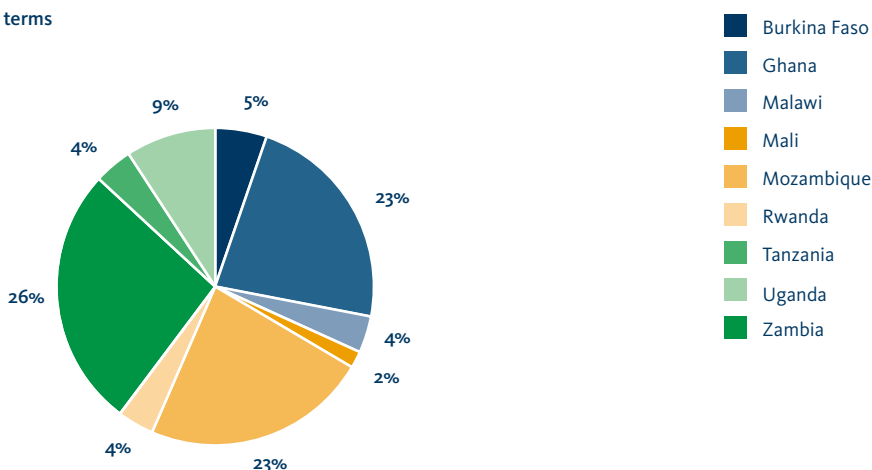
Based on programme documents, accompanying measures were categorised into three areas according to their thematic focus. In ambiguous cases, the categorisation was discussed and agreed upon with responsible persons from

the implementing agencies. The three areas of categorisation include:

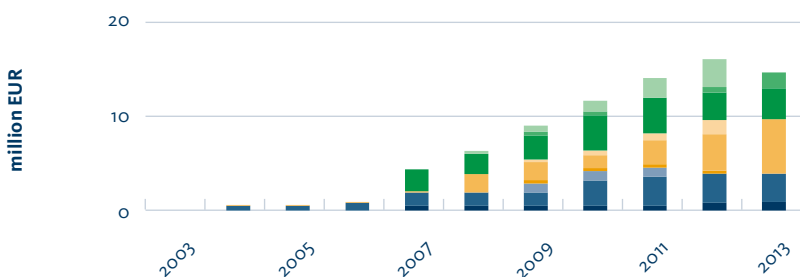
- support for formulating and implementing development policies and reforms,
- strengthening public financial management,
- strengthening democratic control by parliament, civil society and the media.

**Figure 3. Division of the German total commitment of accompanying measures to the nine recipient countries**

a) allocation in percentage terms



b) allocation over time



Source: own calculations based on programme documents

The first category comprises consultancy measures for economic and finance ministries with the objective to improve the planning and implementation of general cross-sectoral reform plans in line with poverty reduction strategies. The second category refers to financial and technical

assistance to institutions of public financial management and budget control (such as tax authorities or the court of auditors). Thus, this category is related to the supply side of accountability. Measures of the third category focus on the

demand side of accountability as they aim at strengthening parliament, the media and civil society.

There are linkages and overlaps in form and content between the three categories. Measures of the first category often strengthen the link between poverty reduction strategies and the budget process, by involving institutions of public financial management. Accompanying measures from the second category, which for example strengthen the court of auditors, can aim at increasing the number of audit reports or at ensuring that they are more informative. By means of accompanying measures of the third category, parliamentary committees could be qualified to claim more accountability of the government on the basis of such audit reports.

Throughout the entire evaluation period, the focus of cross-sectoral accompanying measures was on the area of 'public financial management', to which 60 percent of the total commitment of accompanying measures was allotted. The remaining volume of accompanying measures was divided equally into the areas of 'supporting the formulation and implementation of development policies and reforms' and 'strengthening democratic control by parliament, civil society and the media' (see figure 4a and b). The composition of the portfolios according to countries over the given period of time is illustrated in figure 18 in annex 8.2.

Most of the recipient countries indicate that the portfolio of accompanying measures is largely focused on certain thematic areas. In Ghana, Rwanda and Tanzania, accompanying measures are exclusively carried out in the area of 'public financial management', in Malawi and Mali in the area 'development policies and reforms'. A rather mixed portfolio has been implemented in Zambia and Uganda (see figure 4c).

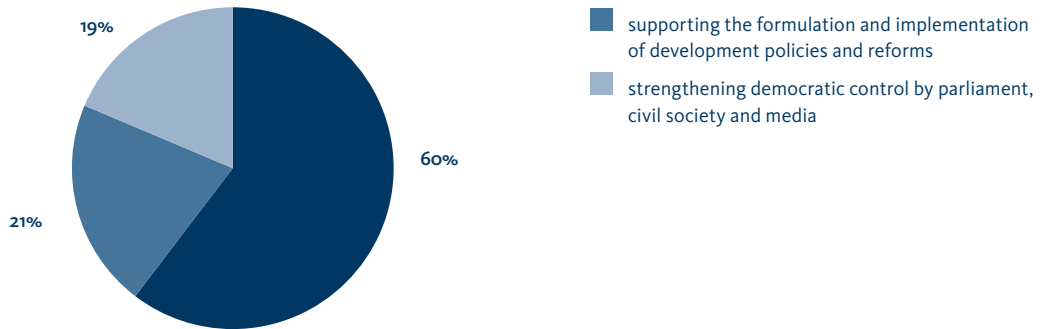
### Accompanying measures of financial and technical cooperation

One third of the total volume of accompanying measures was allocated to the classic accompanying measures of financial cooperation (FC) in the first layer. Throughout the time period covered by the evaluation, budget support was flanked with accompanying measures of the first layer in six of the nine countries. Some of these measures consisted of several components. For example, in Burkina Faso one component was established to support the fight against corruption and one to support the court of auditors. The most comprehensive portfolio of accompanying measures can be found in Mozambique, where accompanying measures of FC have been implemented intermittently in four components since the beginning of budget support. In Mali, there were no accompanying measures of FC. In Malawi, measures did not run concurrently, but only after budget support had been provided and then stopped. In Zambia, the implementation began only after 2013, so that these measures are not considered in this evaluation. Most of the accompanying measures of FC (83 percent) have been implemented in the form of contributions to basket funds.<sup>17</sup> Examples of these are the support of the PFM-reform programme FINMAP (Financial Management and Accountability Programme) in Uganda and the support of the court of auditors in Rwanda. Accompanying measures of FC distributed through basket funds solely address the area of 'public financial management', including budget control and institutions such as tax authorities or the court of auditors. Accompanying measures of technical cooperation (TC) contribute to basket funds as well, however, these contributions can also be found in thematic areas other than 'public financial management'. In Zambia, the programme for supporting 'democratisation, government and civil society' cooperates with the Zambian Governance Foundation. Supported by basket funding, this Zambian foundation offers civil society organisations by financing and capacity development to support their work on crucial issues of governance. This is done through transparent selection criteria and efficient control mechanisms. Another example is the TC-measure which provided

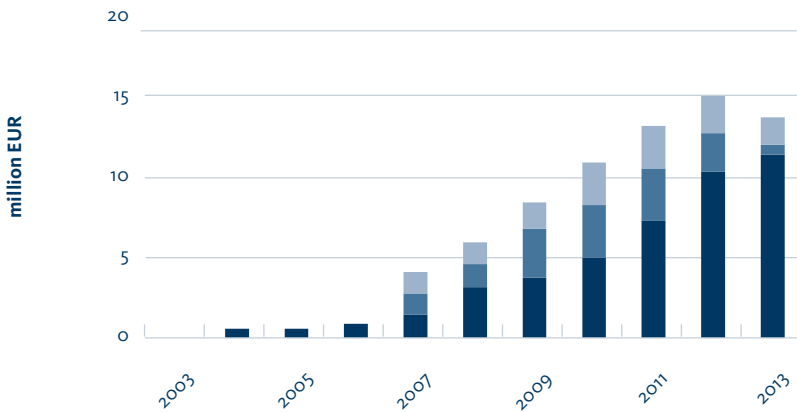
<sup>17</sup> In a basket fund, the donors jointly finance a spending plan derived from a strategy to implement a specific package of measures. Funds are earmarked to the agreed measures. The basket can be administered by the partner country or by one of the mandated donors. The funds are paid into a special account and are normally recorded for information in the national budget. The financial processing of donors' contributions is not fully subjected to the ordinary budget process of the partner country (BMZ, 2008b: 30).

**Figure 4. Division of the German total commitment to accompanying measures according to thematic areas**

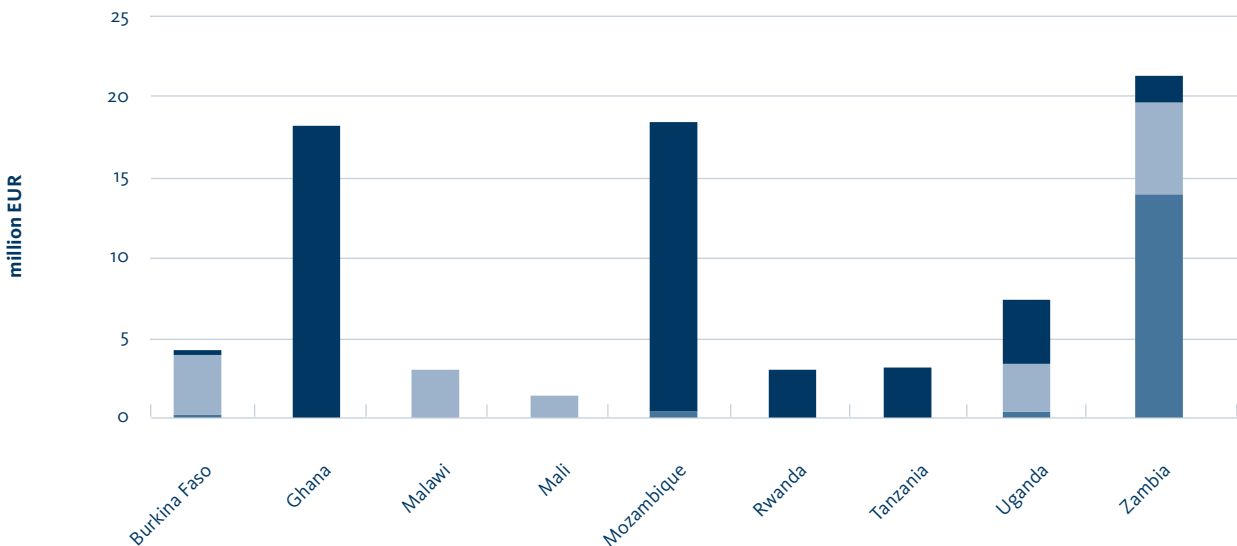
a) allocation in percentage terms



b) allocation over time



c) allocation to the recipient countries



Source: own calculations based on programme documents

consultancy services to the Ministry of Finance, Economic Planning, and Development in Malawi and thereby contributed to the Joint Programme Support for the National Monitoring and Evaluation System.

Accompanying measures of the second layer have been implemented by TC in all countries receiving German budget support, with the exception of Mozambique and Rwanda. In most cases the measures involve multiphase interventions. Some of the accompanying measures existed before the introduction of budget support and some continued after the termination of budget support with partially new objectives. Hence, budget support is not a necessary prerequisite for the implementation of the measures, which are classified as accompanying measures to budget support in this evaluation.<sup>18</sup> Some of the interventions, identified as accompanying measures and already established before the introduction of budget support, fulfilled not only their later function as accompanying measures, but also served as preparatory measures for receiving budget support. These contributed to qualifying partner country systems to meet the prerequisites for granting budget support. German accompanying measures can increase the effectiveness of budget support from all donors and – provided that they contribute to strengthening the countries' own systems - increase the effectiveness of other DC instruments as well. Financial contributions to basket funds for individual accompanying measures of the second layer constituted only part of the respective measure. Some interventions (e.g. the Good Financial Governance intervention in Ghana or the intervention to support democratisation in Zambia) were co-financed by other donors, which is rare among accompanying measures of FC. Figure 19 (annex 8.2) illustrates the composition of accompanying measures in recipient countries according to the layers.

## 2.2 Accompanying measures of other donors

Various budget support donors implement accompanying measures to budget support, but they do not always link

them systematically to budget support (Dijkstra and de Kemp, 2015; Lawson, 2014).

The European Commission (EC) uses an instrument comparable to the one of German accompanying measures. In its guidelines to budget support of 2012, the EC requires the usage of Mitigating Measures if the risk linked to a budget support intervention is ranked as substantial or high within the scope of a risk evaluation. These Mitigating Measures can be measures of the same type as German accompanying measures (EC, 2012).

Denmark also considers accompanying measures to be conceptually closely linked to budget support. This is particularly apparent in their new guidelines which state, „Danida, and partners like the EU, regard general budget support as a package that in addition to the financial transfer also includes elements such as policy dialogue, capacity building in relevant areas such as public financial management, domestic revenue mobilisation, anti-corruption efforts and the support to parliament, civil society organisations and others.” (DANIDA, 2013: 5)

Swiss development cooperation also uses Complementary Technical Assistance as a pillar of budget support along with policy dialogue and a catalogue of reforms. Since 2004, these have been contracted separately from the financial contribution of budget support and do not have any direct links to the disbursements of the variable tranches (SECO, 2014).

In 2011, the United Kingdom committed to spend 5 percent of the volume of budget support on measures to strengthen domestic accountability in partner countries (DFID, 2011).

In 2004, the World Bank standardised its guidelines in its area of 'Development Policy Financing', which includes the instrument of budget support. According to the Operational Policy 8.6o and the affiliated Bank Procedure 8.6o, accompanying measures are possible within the framework of budget support, but are not specified any further (World Bank, 2014a; World Bank, 2014b).

<sup>18</sup> However, the data only includes commitments and disbursements of accompanying measures if they coincide with the allocation period of budget support. Measures which partly overlap in time are partially considered.



3.

## THEORY BUILDING AND METHODOLOGICAL APPROACH



The present evaluation is an instrument evaluation which focuses on accompanying measures as one element of the instrument of general budget support. Budget support is described to be a complex intervention, because the desired effects can only be achieved indirectly through the systems of partner countries (Stern et al., 2012: 11). The different elements (accompanying measures are just one of them), as well as a great number of participating institutions, simultaneously pursue the objectives of poverty reduction and good governance and influence each other. The instrument of budget support therefore fulfils the criteria of both a complicated and a complex intervention (Rogers, 2008). This particularly applies to accompanying measures, which are not only imbedded in the context of budget support and specific country systems such as public financial management, but also combine different social realities (Pawson and Tilley, 2004: 4f).

The cross-sectoral strengthening of country systems and good governance depends on various internal and external influences, which complicates the attribution of effects. Many donors implement accompanying measures parallel to providing the financial contribution of budget support, which renders it hardly possible to capture the effects of individual accompanying measures separately within an impact evaluation. Accompanying measures of KfW contribute mainly to basket funds and are therefore evaluated on a multi-donor basis. To date, the interrelations between accompanying measures and other elements of budget support have not been evaluated systematically in these evaluations.

One aim of the present evaluation is to better understand the functioning of accompanying measures and to improve the basis of knowledge for making well-informed decisions regarding the allocation, planning and evaluation of budget support and accompanying measures. How can accompanying measures contribute to the objectives of budget support? For answering this question a theory-based approach is appropriate as it generates a better understanding of the functioning of an intervention in an iterative process between theory formulation and data collection (White, 2009: 8). The evaluation combines elements from

different theory-based approaches, especially from Realist Evaluation and Process Tracing (White and Phillips, 2012: 8ff). The intervention logic of budget support represents the starting point of the theory-based approach. It has been developed on behalf of the European Commission and applied in numerous evaluations of budget support (OECD/DAC, 2012). Yet, in this intervention logic, the functional contribution of accompanying measures has not been explicitly illustrated. The present evaluation reconstructs the intended effects on the basis of programme documents and integrates accompanying measures into the intervention logic of budget support. In doing so, special attention is given to interrelations between the different elements of budget support.

This chapter not only describes the methodological approach and evaluation process, but also submits the first results of the reconstructed theory. The validation of the theory will be referred to later on (chapter 4).

### 3.1 Systemic analysis of the context of budget support

When first considering the subject of accompanying measures, the evaluation team conducted explorative interviews with budget support experts, evaluators, researchers, as well as with experienced managers of accompanying measures. In these interviews it became apparent, which role accompanying measures play within the budget support system, as well as how and where they can contribute to strengthening country systems. The financial contribution of budget support should enable the partner government to finance the implementation of development-relevant investments. The allocation of funds fed into the national budget at a central level for additional disbursement to poverty-relevant sectors on a decentral level requires that the systems of the recipient country fulfil certain functions as outlined in figure 5.

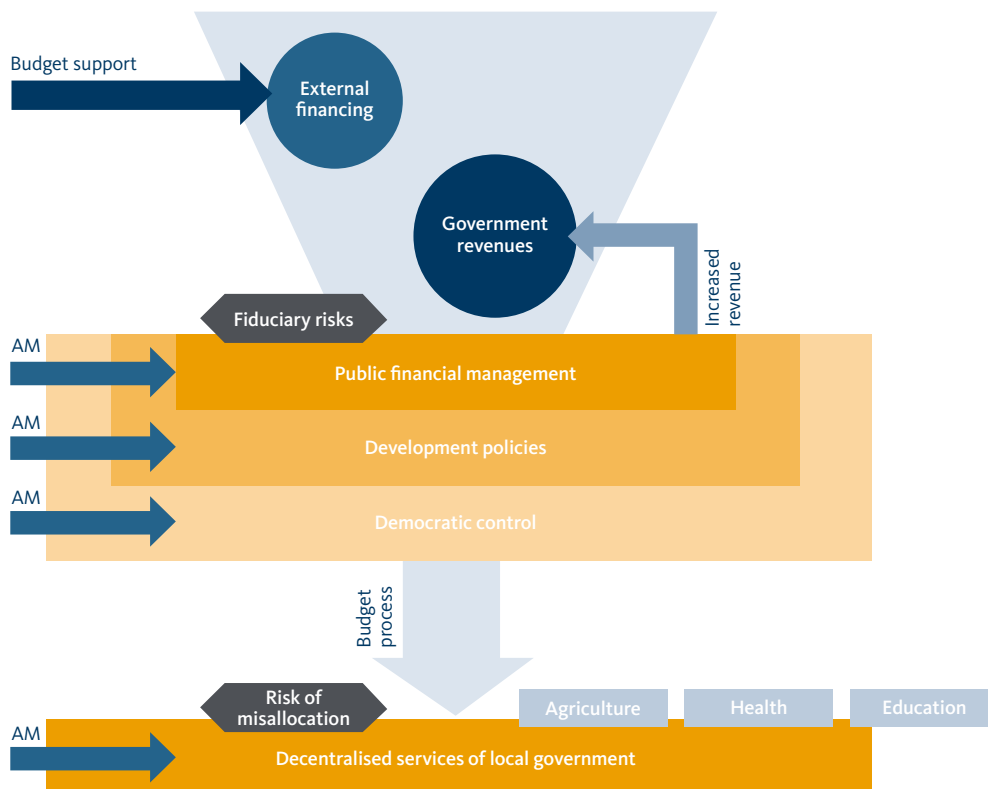
As an external financial source, budget support contributes to the national budget, which is depicted as a funnel in the figure. Here, donor funds merge with the revenues of the partner country. The finance ministry of the partner



country passes the total funds on to the sector ministries and subordinated institutions on the basis of the national budget plan. In order to implement this in a timely manner and according to the country's needs, certain requirements have to be fulfilled which are partially included in the conditionality of budget support. Budget planning should be based on policies serving public interest and on feasible reform plans. Correct prioritisation and adequate consideration of all population groups and regions, should be subject to democratic control by parliament, the media and civil society. The financial funds have to be made available

on time at the decentral level, implemented cost-efficiently, and accounted for in a transparent way. To this end, efficient institutions and processes of public financial management are needed, e.g. an integrated financial management and information system. How long budget support is needed to boost the national budget and at what point the partner government can finance development reforms from its own resources, depends on the extent to which public tax and customs authorities can increase the internal revenues of the country and thereby reduce the dependency on external financial sources.

**Figure 5. Systemic analysis of financial flows within countries receiving budget support**



Source: authors' own

There are several weaknesses and bottlenecks which can emerge out of this complex process of needs-oriented allocation, transparent distribution, and efficient use of financial funds. These vary from country to country. On

the donor side, special attention is given to fiduciary risks ranging from inefficient use of funds to misallocations up to misappropriation (Leiderer, 2009). Accompanying measures which tackle these problems by strengthening

country systems and qualifying state and civil society actors in the budget process are relevant and contribute to the achievement of budget support objectives. As part of the online survey and subsequent interviews, the question was examined whether this applies to the nine recipient countries of German budget support.

### 3.2 Theory of change for accompanying measures in the context of budget support

As a basis for constructing hypotheses and reducing complexity, the evaluation team developed a generic theory of change. It theorises the role of accompanying measures in the context of budget support and is applicable to the majority of accompanying measures to budget support. The team then searched for commonalities among the interventions classified as accompanying measures within the programme documents. Only a small part of the programme documents contains a detailed results framework. Therefore, the challenge lied in reconstructing the respective theories of change from the narrative part of the programme document,<sup>19</sup> and in referring them to the context of budget support.<sup>20</sup>

Starting from the intervention logic as it has been elaborated by OECD/DAC (2012) and used within the scope of multi-donor evaluations of budget support, the evaluation team took a closer look at the non-financial elements, especially the accompanying measures. Figure 6 shows this theory of change in which accompanying measures are related to other non-financial elements of budget support and contribute to the general objectives of good governance and poverty reduction through several interim steps. Programme documents of accompanying measures often state programme goals such as appropriate development policies, efficient and transparent public financial management, or effective democratic control. While the objective to reduce fiduciary risks is also of similar importance from a donor's perspective, this is congruent with the objective of achieving efficient and transparent public financial management according to the respondents' statements. Thus, this latter objective has a

dual function: on the one hand, it aims to directly contribute to the budget support objective of good governance, and on the other hand, by means of enabling a more efficient use of available funds, it indirectly contributes to the objective of poverty reduction.

According to the impact levels of budget support (figure 6, on the right), the programme objectives of accompanying measures refer to intermediary results of budget support described as Induced Outputs (utilisation or benefits of services) in the OECD-DAC methodology to evaluate budget support. Drawing from their projected objectives, it can be deduced that accompanying measures within the intervention logic of budget support aim at strengthening performance (inputs / outputs) and contributing to improved public services. If, at the next higher level of programme objectives (outcomes), citizens gain more confidence in the state and increasingly use its services, non-income-related poverty will reduce. Evidence of this effect has been found in various budget support evaluations (Lawson, 2014; Rønsholt, 2014).

The present evaluation examined the contribution of accompanying measures up to the level of Induced Outputs of budget support (compare figure 6, the area with the shaded background). There, the focus was particularly on the interrelations between different elements of budget support and the specific contribution of accompanying measures. The thick blue arrows directed to the intermediary objectives of budget support and the programme objectives of accompanying measures, represent the impact chains of individual accompanying measures. In an impact evaluation these would need to be reconstructed and checked for every individual programme.

Regarding the functioning of accompanying measures within the context of budget support, their interrelations with other elements of budget support (figure 6: thin arrows on the two lower levels for inputs and direct outputs) are of particular importance. At the same time, combining various accompanying measures with different objectives can lead

<sup>19</sup> In accordance with the classification of Leeuw (2003), a Policy-Scientific Approach was applied. The first results of this approach were differentiated in dialogue with budget support experts and programme personnel responsible for accompanying measures.

<sup>20</sup> Measures for strengthening public financial management, development policies and democratic control, which are classified as „accompanying“ in the context of budget support, also exist in countries without budget support. However, in this evaluation, the focus was on if, how and under which circumstances these kinds of measures can contribute to meeting the objectives of budget support.

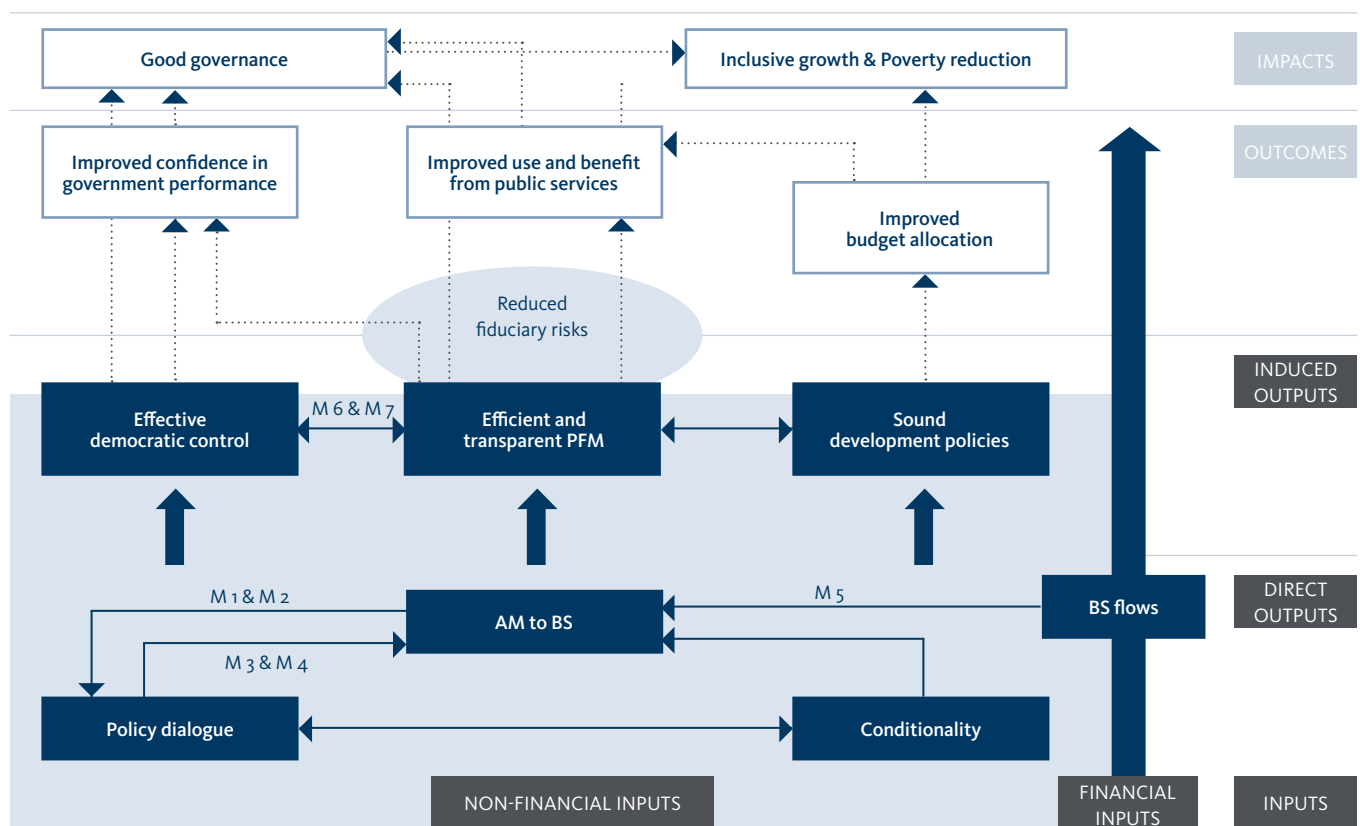
to synergies at the level of induced outputs, which can strengthen the results of individual measures and ensure their sustainability.

### 3.3 Hypotheses and mechanisms

Apart from the positioning of accompanying measures within the intervention logic of budget support, the question arises, how exactly they contribute to the objectives of budget support. In order to learn more about the functioning of accompanying measures, the evaluation team attempted to open this programmatic black box (Astbury and Leeuw, 2010: 364ff). Central hypotheses about

the functioning of accompanying measures were formulated, prior to the empirical investigation of findings gathered from previous budget support evaluations, programme documents, and expert interviews. Within the scope of an explorative mission to Mozambique, these hypotheses were broken down into mechanisms (figure 6: M1 to M7) and then checked for plausibility. Such mechanism-based explanatory approaches are suitable for identifying the contributions of individual components (in this case accompanying measures) to one overall result (the objectives of general budget support) (Hedström and Bearman, 2009: 5). The mechanisms selected are generally observed to be active in all recipient countries of general budget support and accompanying measures, but their manifestation depends

Figure 6. Theory of change for accompanying measures to budget support



on the respective context (Tilly, 2001: 25). Therefore, in a further step, the evaluation dealt with the success factors of accompanying measures.

The elements of budget support can interact in different directions (figure 6: thin arrows in the lower part). For example, effects of accompanying measures on policy dialogue are expected, whereas policy dialogue also affects the planning and implementation of accompanying measures; the financial contribution of budget support in combination with conditionality has effects on the utilisation of accompanying measures. Furthermore, it can be assumed that there are mutually reinforcing effects between the different types of accompanying measures.

**Hypothesis 1:** Accompanying measures improve the quality of policy dialogue.<sup>21</sup>

The first hypothesis to be verified is: accompanying measures improve the quality of policy dialogue. This hypothesis is based on statements made by the interview partners in the explorative interviews, as well as on information drawn from programme documents. Policy dialogue in the context of budget support provides a platform for exchange between donor representatives and politicians, as well as managers of the public administration in the partner country. Through their participation, donors can influence the design and implementation of political reforms. How the quality of policy dialogue can be improved by accompanying measures, is described in two mechanisms:

**Mechanism 1:** Accompanying measures provide information about the quality of public services and the need for support of government institutions. In turn, this information is used in policy dialogue.

**Mechanism 2:** By implementing accompanying measures, donor representatives expand their knowledge and skills and can act as qualified partners in policy dialogue.

The first mechanism reflects the informational function of accompanying measures for policy dialogue. During the implementation of accompanying measures, donors receive information about existing challenges in the partner institutions and can consider these in policy dialogue. The second mechanism has the effect that, by implementing accompanying measures, donor representatives can better understand the country's structures and processes, and therefore act as qualified interlocutors in policy dialogue.

**Hypothesis 2:** Policy dialogue increases the effectiveness of accompanying measures.

The second hypothesis to be validated states that policy dialogue increases the effectiveness of accompanying measures. This hypothesis has been derived from the intervention logic of budget support prior to the empirical study, according to which accompanying measures are coordinated within policy dialogue. As a unique forum for harmonisation and alignment between the partner government and the donor community, policy dialogue provides an opportunity to plan accompanying measures based on needs and implement them in a coordinated way. If this potential is harnessed, TC and capacity building in the context of budget support can be more effective than in countries without budget support. In exploratory interviews with international experts, two mechanisms were identified through which policy dialogue contributes to increasing the effectiveness of accompanying measures. One mechanism indicates that a needs assessment, which is based on accompanying measures being assigned in a more targeted manner, can be conducted in policy dialogue (mechanism 3). The second mechanism indicates that policy dialogue can offer a platform for the coordination of planning and implementing accompanying measures of different donors (mechanism 4).

**Mechanism 3:** Accompanying measures are planned and implemented on the basis of a needs assessment to eliminate the weaknesses of the system in a targeted way.

<sup>21</sup> Policy dialogue of budget support takes place at different levels: (i) technical policy dialogue about reform progress, as well as the assessment of objectives determined in the PAF, takes place on the operational level between donor representatives and respective partner representatives in ministries and authorities. ii) in high-level policy dialogue, ambassadors of donors and high-level representatives of the partner government discuss general strategic matters.

**Mechanism 4:** Planning and implementation of accompanying measures is coordinated between donors.

**Hypothesis 3:** The financial contribution of budget support increases the effectiveness of accompanying measures.

This hypothesis is based on the interrelation between financial and non-financial elements, which are described theoretically in the intervention logic of budget support. According to de Kemp et al. (2011), accompanying measures can increase the effectiveness and efficiency of budget support funds, while contributing to strengthening the country's systems. At the same time, the recipient government obtains a financial incentive to implement accompanying measures if they are linked to the financial contribution of budget support (de Kemp et al., 2011: 38). Similar synergies are described by Nilsson (2004), who found potential positive effects in the combination of budget support funds and accompanying measures to improve public financial management (Koeberle et al., 2006: 140; Nilsson, 2004: 23ff). Hypothesis 3 was specified in greater detail in the course of the empirical study in order to better understand the financial incentive stated by de Kemp et al. (2011).

**Mechanism 5:** The financial contribution of budget support attached to PAF-indicators provides an incentive for government institutions to ask for accompanying measures and use them.

**Hypothesis 4:** Accompanying measures in the area of public financial management and accompanying measures in the area of democratic control mutually reinforce each other.

The foundation of the fourth hypothesis was provided by the literature on the theory of democracy. Hesselmann (2011) outlines in her model of democratic accountability a three-stage accountability process in which repeated interactions between "accountability-givers" and "accountability-takers" can result in a deeper accountability-relationship between government and citizens (Hesselmann, 2011: 9f). By transferring this model to the context of this evaluation,

accompanying measures can address both, the supply side<sup>22</sup> of democratic accountability (institutions of public financial management) and the demand side (democratic control by civil society, parliament and the media). In two of the recipient countries of German budget support, accompanying measures were implemented to strengthen public financial management, as well as to support parliamentarians, the media, and civil society organisations. When accompanying measures of other donors are also taken into account, it can be assumed that this occurs in all nine countries. The parallel support to both the supply side and the demand side can contribute to improving the performance of governmental institutions as well as to ensuring and strengthening the controlling function of democratic actors. The interrelation between these two types of accompanying measures is assumed to take place at the level of expected intermediate results (figure 6) and depends on the effects of the individual measures involved.

**Mechanism 6:** Transparent institutions of public financial management generate and publish budget information.

**Mechanism 7:** Civil society, parliament and the media use the published budget information and increasingly demand accountability from the government.

Synergy effects can arise if more or better budget information is provided by means of accompanying measures on the supply side (mechanism 6). Due to further accompanying measures to qualify parliament, the media and civil society, this information is increasingly taken up and used by actors on the demand side to claim accountability - including further budget information - from the government (mechanism 7).

These hypotheses and mechanisms have been examined and tested for plausibility throughout the survey process. The results are outlined in chapter 4.2.

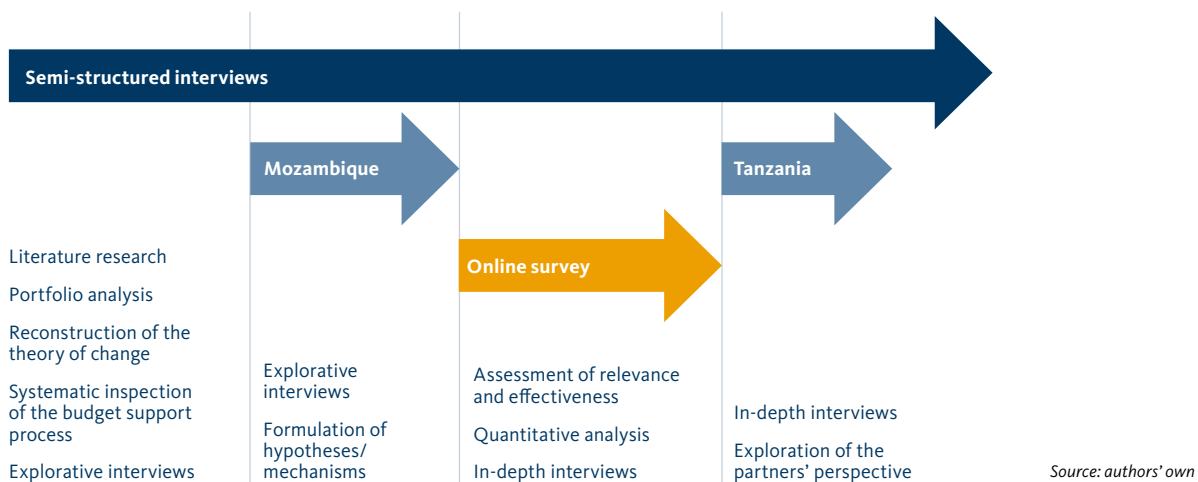
<sup>22</sup> Actors on the supply side of accountability comprise all government institutions providing information about the national budget (e.g. the finance ministry, other sector-based ministries, as well as tax and customs authorities). Actors on the demand side of accountability are parliament, civil society and the media. The court of auditors can be part of the supply or demand side depending on the institutional setup.

### 3.4 Survey process

The evaluation of accompanying measures in nine recipient countries of German budget support in Sub-Saharan Africa was conducted based on the analysis of written documents, telephone and personal interviews<sup>23</sup>, as well as an online survey. The collected data essentially reflect the assessment of stakeholders of these countries involved in the budget

support process and of budget support experts with experience in other recipient countries of budget support. A solid foundation of robust data was attained by the combined use of qualitative and quantitative methods during the data collection and through the triangulation of data gathered from written sources of information and from interview partners. Therefore, not only different types of sources (literature, interviews, online survey) were assessed, but also distinctive perspectives were considered, such as from bilateral and

Figure 7. Workflow of the evaluation



multilateral donor representatives, partner representatives in Mozambique and Tanzania, and independent experts (table 8 and 9, annex 8.7).

#### Analysis of written sources

There are comprehensive sources of information available for the instrument of budget support. These include strategy papers and implementation guidelines of bi- and multilateral donors, published academic articles, as well as a growing number of research papers. In addition, a growing number of evaluation reports of implementing agencies (like from KfW) and large multi-donor evaluations (such as from the European Commission) are available. Two

recently published meta-evaluations provide a synopsis of the effects of budget support in eight recipient countries of budget support (Lawson, 2014; Rønsholt, 2014). Nevertheless, accompanying measures are only mentioned on the periphery of these sources.

Information on individual accompanying measures can be found in the project documents of the two German implementing agencies. While classic accompanying measures of the KfW are shortly described in an annex to the programme proposal for each respective stage of budget support, the documentation of measures of the GIZ specifically indicates their relation to the context of budget support, and is used

<sup>23</sup> The three guidelines for the interviews with representatives of budget support donors (i) during the explorative mission to Mozambique, (ii) for further investigating the results of the online survey, as well as (iii) to collect the partner perspective in Tanzania, are included in annex 8.6.

to classify them as accompanying measures to budget support (chapter 2.1).

After studying the literature and analysing the documents available, the evaluation team conducted its own survey by means of semi-structured interviews and a standardised online survey. The explorative interviews conducted in person and by telephone at the beginning of the evaluation provided the basis for the inductive development of hypotheses and mechanisms and helped specify the question- and answer-options for the online survey. Thereafter, a set of semi-structured interviews served to explore the results of the online survey in greater detail. An analysis grid was developed in order to categorise and systematically analyse all available information on accompanying measures. Each document was then coded accordingly using the data analysis software MaxQDA (see code plan in annex 8.8).

#### **Interviews during the explorative mission**

During an explorative mission to a recipient country of German budget support, the evaluation team improved its understanding of the planning and implementation of accompanying measures. Additionally, the team was able to reconsider the reconstructed theory of change and the preliminary hypotheses in the context of a specific country case. Mozambique was selected, a country where German accompanying measures to budget support have continuously been implemented over a long period of time. At the same time, the evaluation team could immediately follow up on results of the EU multi-donor evaluation of budget support presented in Maputo on 20 May 2014.

From 19 to 28 May 2014, the evaluation team conducted semi-structured interviews with 39 persons in Maputo. These included representatives of GIZ and KfW, current and former bilateral donors of budget support, the EU, the IMF, the World Bank, the Friedrich-Ebert-Foundation, Mozambican and international consulting companies, as well as the court of auditors, the tax and customs authority, and civil society organisations in Mozambique. On the donor side, representatives of major budget support donors, as well

as current and former managers in policy dialogue, were selected; on the partner side, representatives of the institutions which received German accompanying measures were interviewed.

#### **Online survey**

By means of a standardised online survey in all nine recipient countries of German budget support in Sub-Saharan Africa, preliminary findings were validated to provide a broader basis and quantifiable evidence relating to the relevance, effectiveness, and success factors of accompanying measures.

Within the nine recipient countries of German budget support in Sub-Saharan Africa, one representative for each current and former budget support donor, as well as important observers, were asked to answer up to 25 questions (see online questionnaire in annex 8.3). On the German side, the current Heads of Development Cooperation (HoC) at the German Embassy (representatives of the BMZ in German embassies responsible for economic cooperation), and the project managers of German accompanying measures (or the most recent ones if the measures had already been terminated) received an invitation to participate in the online survey. The survey was conducted from 8 to 30 September 2014 in English using the software 2ask. 83 out of 143 invited persons completed their questionnaire, which corresponds to a response rate of 58 percent. Detailed information on response rates in individual countries as well as on individual interviewee groups are outlined in annex 8.4.

In the online survey, the participants were requested mainly to assess certain statements on a scale concerning problems in the budget support process and how these may or may not be addressed in the planning and implementing of accompanying measures. From this, assessments of donors could be derived regarding the relevance of accompanying measures, as well as the functioning of individual mechanisms. Moreover, qualitative statements provided insights on the success factors of accompanying measures.

### Telephone interviews

In addition to the online survey, further semi-structured interviews were conducted (mainly) by phone. Prior to the online survey, 16 preparatory talks with all current HoC at the German Embassies, as well as with all GIZ country directors were held. In order to further reflect some interesting results of the online survey, 15 more in-depth interviews were conducted with persons responsible for accompanying measures, long-term experts of GIZ, office and project managers of KfW, and representatives of other budget support donors. For this purpose, persons with long-term experience with accompanying measures to budget support were chosen and the focus was on countries receiving German budget support at the time of the respective interview. The team concluded with six interviews with researchers and evaluators specialised in budget support.

### Interviews and written survey during the short mission to Tanzania

The online survey and the in-depth interviews focused predominantly on the donors' perspective. Therefore, in addition to the findings of the explorative mission to Mozambique, the assessment of partner representatives still

needed to be collected. The choice of a country for a second short mission was Tanzania, where a broad portfolio of German accompanying measures has been implemented by both KfW and GIZ. Following the forthcoming termination of German budget support to Tanzania at the end of 2015, measures of the GIZ classified as accompanying measures to budget support will presumably continue under the Good Financial Governance programme, possibly with co-financing from the EU. Moreover, the EU budget support evaluation from 2013 set a good foundation for a more detailed analysis of the role of accompanying measures.

From 4 to 11 December 2014, the evaluation team conducted individual and group interviews with a total of 29 persons, among them managers of the National Audit Office of Tanzania (as a recipient of German accompanying measures), managers of the Ministry of Finance and Economic Affairs (in its coordination function for budget support), as well as managers of the Planning Commission. Moreover, representatives of the media, civil society, BMZ, KfW, GIZ, and other important budget support donors were also interviewed.





4.

RESULTS

The following results are based on the assessment of the respondents. Furthermore, there are country-specific differences concerning the various contexts. However, even though the situation can differ in individual cases, if not stated otherwise, the results refer to all examined countries as a whole. The collected data do not permit a country-specific evaluation as the extent of data is insufficient for this purpose.

## 4.1

### Relevance of accompanying measures to budget support

Can accompanying measures increase the effectiveness of budget support and hence are they relevant for its effectiveness? Previous evaluations indicate that budget support can contribute to an increase of poverty-relevant spending and - albeit to a lesser extent - to a reduction of income poverty. Budget support contributes positively to the momentum of reforms within poverty-oriented sectors, as well as to strengthening cross-sectoral public financial management including fiscal transparency and accountability. Nevertheless, when looking at the overall picture of evaluation and research studies, it is apparent that until now, budget support has fulfilled its financing function better than its reform or governance function (Caputo et al., 2011a; Dijkstra et al., 2012: 169ff; IEG, 2010; Lawson, 2014: 8f und 46; Lister, 2006; de Renzio et al., 2011: 19; Rønsholt, 2014; Williamson, 2006).

Despite its positive contributions, the potential of budget support to contribute to poverty reduction has not yet been fully realised. Drawing from the present studies, two causes can be identified to explain this situation in addition to individual country-specific factors:

- Shortcomings in terms of harmonisation and partner alignment of budget support donors regarding issues such as disbursement modalities, conditionalities, and the choice of sectors and success indicators. Donors often do not sufficiently comply with the implementation of the intervention principles of budget support, which results in

a loss of effectiveness and efficiency (Faust et al., 2012: 455; Lawson, 2014: 11; Molenaers, 2012).

- Bad governance and capacity deficiencies in the country systems are another cause for diminished effectiveness and efficiency. Corruption, as well as violations of basic human or democratic rights, provoke (temporary) suspensions or complete phasing out of budget support (Dijkstra et al., 2012: 149; Faust, 2012b; Faust, 2012a; Hayman, 2011: 674; Molenaers et al., 2015). Besides these violations of the Underlying Principles, deficiencies in the country systems lead to trickle down losses or inefficient use of budget support funds.

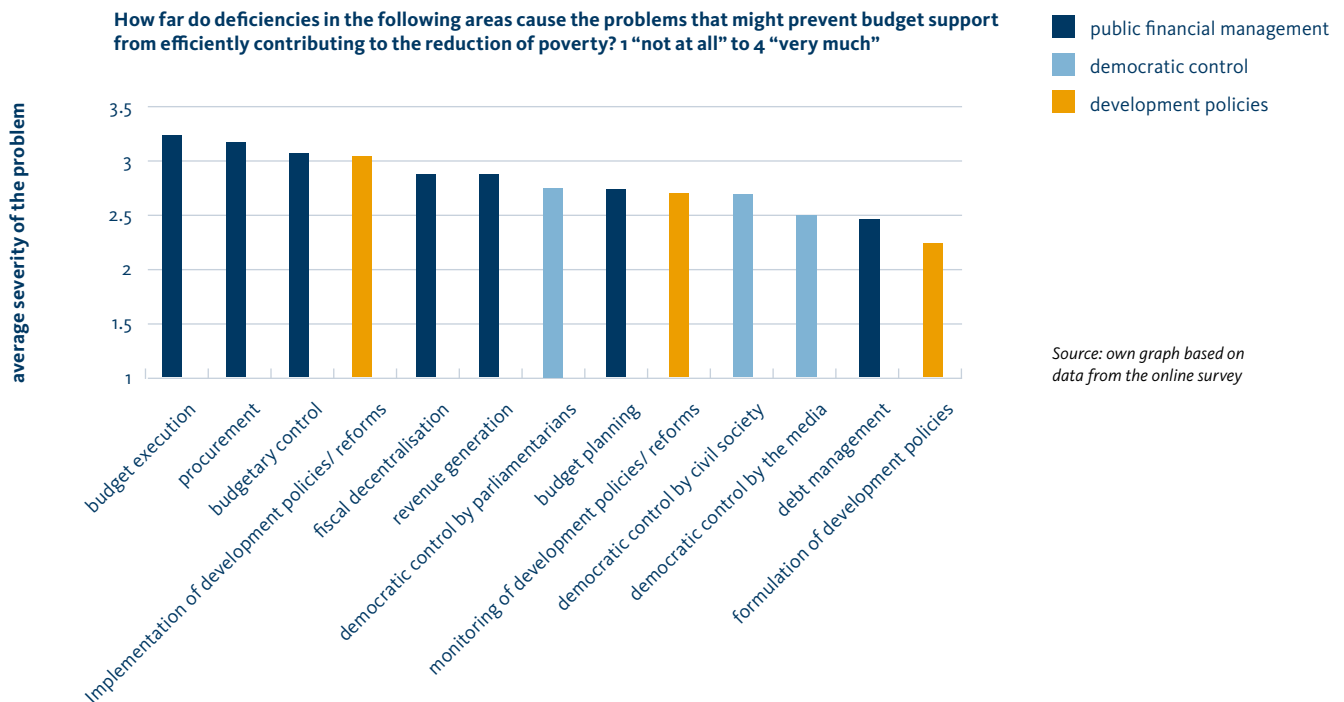
Regarding harmonisation and partner alignment, the difficulties occurring during the implementation of budget support cannot be directly solved by using accompanying measures. However, accompanying measures can contribute to strengthening country systems and, by doing so, can increase the effectiveness of budget support. Yet for this, accompanying measures must be applied to those deficiencies in the country systems which cause the problems within the budget support system. This chapter considers the question to what extent this requirement is fulfilled. The deficiencies in the budget support system will be analysed accordingly (chapter 4.1.1) and it will be examined whether accompanying measures address these explicit areas (chapter 4.1.2).

#### 4.1.1 Potential deficiencies in country systems

Which deficiencies especially hamper the effectiveness of budget support with respect to the objective of poverty reduction? To answer this question, 83 participants of the online survey were asked to evaluate 13 possible problem areas corresponding to its severity in their country on a scale from one to four. The problem areas can be allotted to the areas of 'public financial management' (e.g. procurement or budget planning), 'development policies and reforms' (e.g. deficiencies in the implementation or monitoring) and 'democratic control' (e.g. by parliament).

Figure 8 illustrates the results of the 13 problem areas in descending order of severity. The major problems are in three sub-sections of public financial management: budget implementation, procurement, and budget control.

**Figure 8. Causes for limited efficiency of budget support with respect to poverty reduction**



Moreover, the implementation of development policies poses a problem, although formulating development policies is ranked as less critical. Further results regarding selected problem areas are explained in the following.

### Budget implementation

All interviewees confirmed that the field of budget implementation is very problematic in many countries receiving budget support. In the comparative research, this has also been identified as a central problem of public financial management in developing countries (Andrews, 2010; Dorotinsky and Floyd, 2004: 185; de Renzio, 2009; de Renzio et al., 2011). The underlying causes and necessary counter-measures have to be considered separately for each individual case (Hodges and Tibana, 2004: for the Mozambican case). There are various deviations from the budget plan for different expenditure categories. Expenditures for salaries are normally disbursed as planned, whereas development investments often deviate largely from the original planning (Simson and Welham, 2014). Generally, planning

and implementing the budget is often closely linked. Deficiencies in the planning easily result in difficulties for the implementation (compare the example of Tanzania, box 4). Deviations between the planning and implementation of the budget are also often a consequence of insufficient planning (Dorotinsky and Floyd, 2004: 192ff). Moreover, deficiencies in the budget process have far-reaching consequences, e.g. for the implementation of development policies and reforms. If the budget is implemented only to a limited extent according to plan, the actual expenditures do not correspond to the national priorities of the development plan and are not subject to parliamentary control (Dorotinsky and Floyd, 2004: 189; Schick, 2011; Simson and Welham, 2014).

#### Box 4. Budget implementation in Tanzania

According to interview partners, in the past the implementation of the Tanzanian budget was often associated with difficulties. The problem already begins with insufficient, mostly too optimistic, planning. It manifests itself, when in the course of the fiscal year, too little revenues are

generated to finance the planned activities. Nevertheless, in order to still be able to achieve fiscal solidity and meet the predefined deficit objectives of the IMF and other institutions, the investment budget is readjusted accordingly. The Ministry of Finance withholds funds and transfers them to the respective public institutions just shortly before the end of the fiscal year. Activities, for which the funds are then finally made available, cannot be carried out, because there is not enough time for proper procurement procedures; hence, the funds which could not have been spent have to be returned. The situation aggravates because public institutions already anticipate that not all budgeted funds will actually be disbursed, or disbursed on time. Therefore they withhold funds in order to be able to cover their running costs at the end of the fiscal year. As a consequence, potential investments are not made to their full extent, which in turn impedes the implementation of reform plans.

In the fiscal year 2014/2015, this problem was especially severe, as government revenues were highly overestimated. The reasons lie not only with withheld budget support payments, which were due to the scandal surrounding the acquisition of the independent electricity producer Independent Power Tanzania Ltd., but also with the significantly lower tax revenues caused by the belated enactment of the Value Added Tax Act of 2014.

### Planning and implementation of development policies

The online survey reveals differences in the severity of the problem regarding planning and implementation of development policies. This finding is also confirmed by the results drawn from the interviews and the literature. Representatives of donors, partner governments and civil society often focus on the formulation of development plans and its strategic further development. Hence, in many countries, there is a great number of development plans and reform proposals, whose practical implementation is not satisfactory (Komives and Dijkstra, 2011: 183). In Tanzania some interviewees mentioned that the existence of several development strategies, with their different focuses and periods of validity, causes confusion and complicates the transfer to a central budget. The reasons for the insufficient

implementation of existing development plans are diverse. The problem often lies in a lack of funding or linkage of the development plan to the budget; however, partially, the problem results from a lack of willingness or capacities needed for implementation (Cheru, 2006; Kay, 2011). It is difficult for actors outside the government (such as civil society organisations) to criticise insufficient implementation, if government institutions can claim that there were problems with the funding and their own capacities. A Tanzanian interview partner indicated that, in practice and contrary to the theory, reform plans are often determined by the donors and that the ownership of the government cannot always be expected for a plan:

*„Reform plans are only in theory made by the Tanzanian side. In practice, donors first organize a workshop, then more meetings, then hire a consultant and finally write the plans themselves, at the 11th hour.”*

The considerable influence of donors on the formulation of Tanzanian development plans has been confirmed by a donor representative. The influence of donors on the formulation of national development plans has also been observed in other countries. This coincides with research on the origin of poverty reduction strategies (Craig and Porter, 2003; Stewart and Wang, 2003).

### Democratic control by parliament, civil society and the media

In the online survey, shortcomings in the area of democratic control were considered to be less problematic for budget support. This holds especially true for control by the media and civil society, while insufficient democratic control by parliament is viewed as being more critical for limiting the effectiveness of budget support. Nevertheless, although there are several challenges in the area of democratic control, these deficiencies are regarded to be less hampering for the effectiveness of budget support compared to other areas. In contrast, written sources explicitly point to capacity deficiencies of members of parliament, civil society representatives, as well as journalists. Actors often lack the competencies necessary for actively participating in



discussions on the national budget (de Renzio and Krafchik, 2007: 3; Robinson, 2006).

Interviews confirm that parliamentarians are often lacking the competencies needed to understand the complex information surrounding budget issues and are unable to critically take part in relevant debates. While it is already a challenge for highly educated persons to understand these topics, this applies even more to less educated members of parliament from rural areas, who in some cases have difficulty in reading or writing. Nevertheless, in the last 15 years, parliamentary budget committees have been able to considerably improve their capacities. At about the same time capacity building has also taken place within the finance ministries. The capacities on the level of sector working groups are still weaker than in budget committees; the same applies to sector ministries in comparison to the finance ministry. Another challenge lies in the often vast majority held by the current ruling party in parliament, which weakens parliamentary control even further. Parliamentary committees, such as the budget committee or the public accounts committee, whose chair is often held by the opposition, play a more active role (Pelizzo and Kinyondo, 2014) (see the example of Tanzania in box 5).

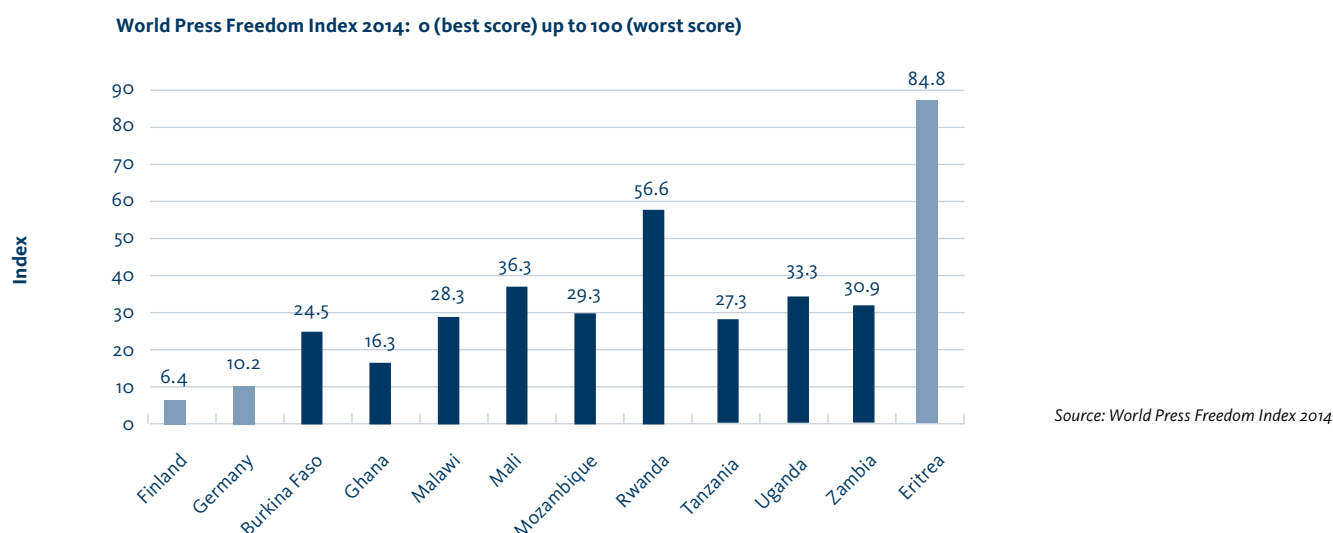
#### **Box 5. The Public Accounts Committee (PAC) in Tanzania**

In Tanzania, the Public Accounts Committee (PAC) plays an important supervisory role for the implementation of the national budget and the use of public funds. In addition to controlling public expenditures, the PAC reviews the budget closures of the government and the regular reports of the National Audit Office. The chair of the Public Accounts Committee is held by a member of the opposition. At the time of the evaluation, the PAC, together with the National Audit Office, the anti-corruption office, and other actors, were intensively involved in the investigation of the scandal relating to the acquisition of the independent electricity producer Independent Power Tanzania Ltd.

In several interviews, the civil society of African countries receiving budget support was described as being generally

weak and usually closely observed by the government. Significant differences are noticeable between the various countries, which among other things can be explained by the different manifestations of democracy and rule of law. In Mozambique and Tanzania, positive examples of committed and competent civil society organisations can be found.<sup>24</sup> The analytical skills of the civil society in Mozambique and Tanzania have improved over the last years, just as much as their capabilities to represent their positions in public. However, the willingness of governments to listen to what civil society says, is limited. The Tanzanian civil society is formally involved in budget talks between donors and the government and can make proposals. Yet, they are only consulted once the budget has been almost fully prepared, so that it is unlikely that proposals for amendments will be heeded. A study relating to the influence of budget support systems on the civil society in Malawi, Tanzania and Uganda revealed that NGOs are excluded from the discussions of budget support donors with the government; the influence of civil society tended to drop due to the close relationship of the budget support donor circle with the government (CARE and ActionAid International, 2006). The budget support evaluation in Zambia mentions that budget support donors are reluctant to involve civil society on budget support platforms, as direct dialogue with the partner government could become more complicated as a result (de Kemp et al., 2011: 110). Lawson and Rakner (2005) also describe how the role of the Tanzanian civil society as a democratic control body to the executive level of government is limited. Nevertheless, an interview in Mozambique revealed that the parliament has indeed made several amendments to their national budget in response to pressure from civil society. Despite the progress, actors and institutions of civil society continue to have difficulties in their capacities. Interviewees both in Mozambique and Tanzania reported that civil society often loses influence since it does not speak with one voice as a result of various own interests within civil society, political motivations, and competition for donor funds. However, according to one interview statement, the donor community does listen to the positions of civil society when they correspond to their own.

<sup>24</sup> In the literature, active civil society actors are also mentioned in other countries receiving German budget support. For example, according to a study of Azeem et al. (2006) the Uganda Debt Network (an association of Ugandan civil society organisations, NGOs, academic and religious institutions, as well as individuals) very successfully put pressure on the government in Uganda for an improved budget implementation, especially in the poverty-relevant areas of education and health. However, the capacities needed for implementation could generally not be found in Uganda, nor in Tanzania, or Malawi (CARE and ActionAid International, 2006: 27).

**Figure 9. Level of freedom of the press in the countries receiving German budget support**

According to the annual World Press Freedom index, published by the NGO Reporters Without Borders, the degree of freedom of the press is more or less at a similar level for most of the countries receiving German budget support (compare figure 9). Among the countries receiving German budget support, Ghana ranks best (index 16.3, rank 27) and Rwanda (index 56.6, rank 162) ranks worst. This is consistent with Ghana receiving the best score from the organisation Freedom House in its index Freedom of the Press and being the only country out of the nine to have been rewarded the status „free press“. In the remaining countries, the press is classified as ‘partially free’ (Burkina Faso, Malawi, Mali, Mozambique, Tanzania and Uganda) or even ‘not free’ (Rwanda, Zambia).<sup>25</sup>

Interviews conducted for the evaluation in Mozambique and Tanzania reveal a similar level of freedom of the press, although interview partners point to instances of critical reporting by the media in both countries. In Tanzania, many interview partners emphasised the active role of the Tanzanian media in the scandal surrounding the acquisition of the independent electricity producer Independent Power Tanzania Ltd., which clearly indicates the increasing importance of freedom of the press over the last years.

Nevertheless, there are deficiencies in the quality of the media, due to a lack of reporting skills regarding the issues of public budget, as well as the work of the court of auditors and the budget committees. The restricted freedom of the press implies that the intensive support of the media by donors does not automatically result in improved reporting; cases of intimidation and repression of critical journalists still continue to occur.

#### 4.1.2 Addressing deficiencies through accompanying measures

Whether accompanying measures<sup>26</sup> are applied to the most relevant areas can be seen by relating the volume of accompanying measures implemented to the severity of the different problem areas. The participants of the online survey were asked to assess to what degree accompanying measures address 13 problem areas in their country on a scale from one to four. These results were later discussed and examined in qualitative interviews.

Figure 10 shows the results of the severity of problems in relation to the degree to which these are considered to be addressed by accompanying measures. The dots correspond to the 13 problem areas of figure 8. The horizontal axis

<sup>25</sup> In addition to classic media, social media, such as internet platforms and blogs, play an increasing role; the chair of the Tanzanian budget committee currently has more than 200,000 followers on twitter. Thus, according to a report of the South African Newspaper ‘Mail and Guardian’ of 27 January 2015, he is the user whose tweets are getting the most attention in Tanzania (Mungai, 2015).

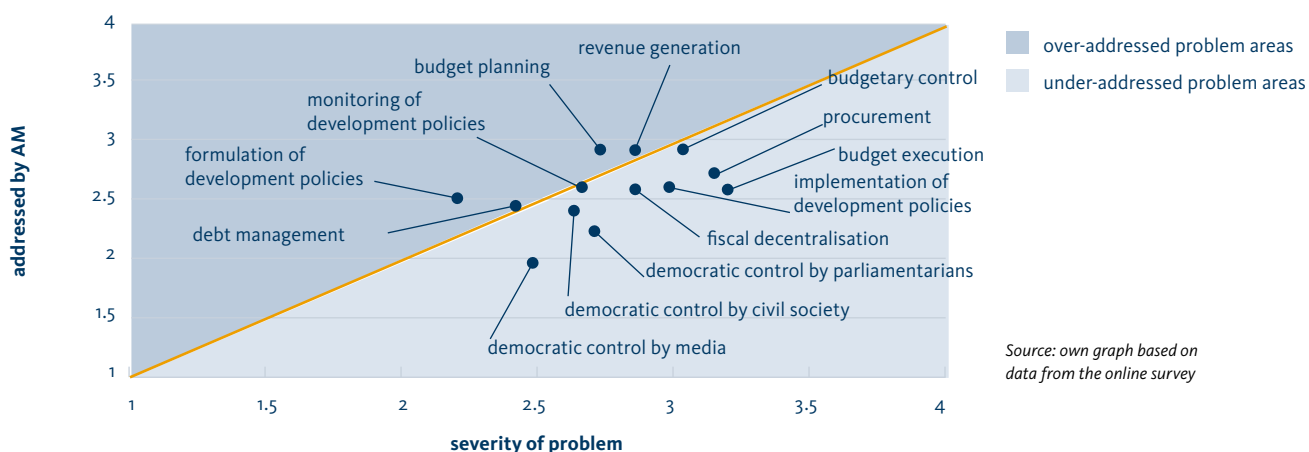
<sup>26</sup> Alternatively to the forty-five-degree line, figure 20 (annex 8.5) depicts the mean of the severity of the problem and the mean of the extent to which they are addressed by accompanying measures.

depicts the severity of the problem: the more a dot is on the right, the more severe the problem. The vertical axis illustrates the extent to which these are addressed by accompanying measures: the higher a dot is positioned in the graph, the more intensively the problem is tackled by accompanying measures. The yellow diagonal line marks the forty-five-degree line, where the addressing through accompanying measures corresponds to the severity of the problem. Dots below (or above) the diagonal represent

problem areas that tend to be ‘under-addressed’ (or over-addressed), i.e. for which too little (or too many) accompanying measures were carried out in relation to the severity of the problem.

The results indicate a positive correlation between the severity of problems and the degree to which these are addressed by accompanying measures: on the whole, the more severe problem areas are tackled more strongly by

**Figure 10. Comparison of severity of problem and addressing through accompanying measures**



accompanying measures. Accompanying measures also tend to focus on areas with deficiencies that are decisive for the functioning of the budget support system. The match between the severity of problems and the extent to which they are addressed by accompanying measures is particularly high in the areas of revenue generation, monitoring of development policies, and debt management. However, there are discrepancies in some other areas, most of which are addressed insufficiently by accompanying measures. This particularly applies to the areas of budget implementation (which causes considerable problems for the budget support system, but is insufficiently tackled by accompanying measures) and democratic control by parliament and the media. The online survey reveals that the areas of budget

planning and the formulation of development policies are over-addressed.

**Budget planning, implementation and control**

Interviewees, as well as the literature, explain the weak involvement of donors in budget implementation as having to do with the limitations of donors’ influence on the budget implementation within the partner country (Informal Governance Group Alliance, 2010). Budget implementation is one of the essential state functions and reflects the political priorities of the partner government. The willingness to draw on external advice is limited to the technical aspects of budget implementation, which play a subordinate role.



In this context, a representative of a Tanzanian civil society organisation stated:

*„There is very little donors can do to improve budget execution because it is 90 percent about politics and only 10 percent about technology.”*

In hierarchically structured government institutions, it is difficult - even for their own employees - to openly address shortcomings in budget implementation and to make improvements.

However, it is easier for donors to be involved in the area of budget planning, because it is less political than budget implementation. In terms of an appropriate sequencing, it makes sense to first concentrate on planning as a basis for implementation. A relatively high involvement of donors has been observed in planning processes, as well as in the formulation of development policies and reform strategies. In interviews, donor representatives regarded the provided assistance in budget planning as important and necessary. In some cases, other forms of support will be needed in the medium-term as the actual obstacle does not lie within the technical processes. One interviewee of the Tanzanian civil society commented:

*„Whether budget planning is a problem or not depends on what you want in a plan. If it is about the technical side of budget planning (numbers that add up and categories that are correct), there is no problem. If it is about strategic decision making, then there is a big problem.”*

In countries with well-established budget planning processes, the expectations of donors go beyond the level of planning. One of the German implementation agencies experienced that their support in the budget process was welcomed, at least by some of the actors on the partner side. The reasons for that were not only existing problems in capacities, but also the fact that international consultants are considered as being able to provide a neutral opinion in the process. They play a mediating role within the country system, especially when it comes to “power struggles between the Ministry of Finance and other ministries”.

The area of budget control is the area most addressed by accompanying measures, which also corresponds to the severity of the problem. In almost all countries receiving budget support, the national courts of auditors are supported by German DC, either with direct consultancy or through payments to corresponding basket funds. With the introduction of budget support, high attention was generally given to the national courts of auditors. Budget support evaluations also emphasise the role of the courts of auditors within the budget support systems and have observed improvements in their structural and financial situation, as well as in their work results [examples are available for Burkina Faso (Landser et al., 2006), Mali (Lawson et al., 2011), Mozambique (Horton, 2010; Lawson et al., 2014), Tanzania (Lawson et al., 2013)].

### **Procurement**

According to the online survey, procurement is under-addressed by accompanying measures. Procurement is a rather complex area. In several countries progress has been made in procurement, even if partially comprehensive procurement procedures are not always applied consistently. It was mentioned several times that consultancy in this area requires specific know-how, which not all donors have. Due to different prioritisation, donor support in this area has hardly included German DC, but was mostly provided through the World Bank. The example of Tanzania shows that procurement is closely linked to budget planning and implementation. If funds are not made available to public institutions reliably or are delayed, compliance with procurement procedures becomes more difficult.

### **Democratic control by parliament, civil society, and the media**

The online survey and qualitative interviews both confirm that democratic control, especially by parliament, is also under-addressed, despite the fact that interventions are being implemented in most countries to strengthen democratic control.

In order to support the work of parliaments, donors have, for example, financed trainings for members of parliament or trainings for processing budget information in a more

comprehensible form. These are sensitive approaches taken in order to avoid the impression that the parliament is being influenced. Strengthening parliament is not in the interest of all actors on the partner side, hence proposals for such activities might likely be rejected. The division of labour among actors within German DC is increasingly shifting the responsibility for providing measures to strengthen parliament to German political foundations. Other bilateral donors also tend to assign the promotion of political parties and national parliaments to political foundations. All in all, the promotion of democracy in terms of parliament, civil society, and the media is often implemented by actors who are not directly linked to budget support.

Some interviewees preferred strengthening the parliament to strengthening civil society. Thus, elected officials receive support, while for a vast number of civil society organisations, the criteria for receiving support remain unclear. Other interviewees assessed the promotion of civil society to be more positive. Despite the fact that the status of civil society continues to be weak in Mozambique and other countries receiving budget support, the analytical capacities have increased on a central level – also through donors’ support. There is a number of competent civil society organisations which are now able to formulate and publicise critical positions. Nevertheless, these voices are not always heard and critical statements are not considered.

### **Volume of accompanying measures in an ideal DC-portfolio**

In addition to comparing accompanying measures to the severity of the problems and the degree to which the 13 problem areas are addressed, the relevance of accompanying measures can also be evaluated indirectly by checking whether scarce funds are spent for accompanying measures.

The participants of the online survey were asked to imagine themselves as being the only donor in their country of assignment and as being able to allocate a certain budget of development assistance for different purposes in their respective country. The choices for allocation were ‘budget support funds’, ‘accompanying measures’ and ‘other programmes and projects’. Afterwards, they were asked how they would divide a predetermined budget for accompanying measures to the areas of ‘strengthening public financial management’, ‘improving the formulation and implementation of development policies and reforms’, ‘supporting democratic control by parliament, civil society and the media’, and ‘others’. The resulting hypothetical allocation shows that a substantial share of the total budget would be allocated to accompanying measures and that the funds would be mainly used for strengthening public financial management. Interviewees considered accompanying measures to be relevant, otherwise funds would not have been made available for that area in an idealised scenario.<sup>27</sup>

On average, one third of the total budget was allocated to budget support. Accompanying measures to promote budget support represented about one fifth of the portfolio. The remaining funds were intended for other projects and programmes. The Box-Whisker-Plot<sup>28</sup> in figure 11a permits a more detailed breakdown. The chosen shares of budget support range from 0-90 percent, while the medium 50 percent of the data fall between 20 and 50. The budget support shares considered to be optimal, as well as the ideal shares given to other projects and programmes, are rather widely dispersed, ranging from 0-100 percent and showing an even greater interquartile range. A greater consensus exists relating to the share of accompanying measures to the total budget. The respective box is narrower and ranges from 10-20 percent. Some respondents even chose extreme allocations up to 90 percent for accompanying measures. It can be concluded from the data that donors consider a share of about 10-20

<sup>27</sup> This conclusion is based on the assumption that funds are only spent for accompanying measures when they are relevant for the effectiveness of budget support. Generally, other motivations can also lead to the implementation of accompanying measures. For example, donors may be driven by the opportunities to gather information through an insider’s view when implementing measures within partner institutions. Hence, the hypothetical allocation of funds toward accompanying measures is not a final proof, but only a further indication of the relevance of accompanying measures..

<sup>28</sup> A Box-Whisker-Plot consists of one rectangle - the box -, and two lines extending vertically from this rectangle - the whiskers. The box encompasses the area, where the medium 50 percent of the data lies. Its limits are the upper and lower quartile of the allocation. The bigger the box, the greater the dispersion of the data, i.e. the greater the difference among the respondents’ answers. The line inside the box marks the median of the distribution, which divides it in two halves. 50 percent of the respondents stated a value below or equal to the median. The further away the median is from the centre of the box, the more skewed the distribution. The whiskers normally depict the range of the distribution, representing the biggest and the smallest mentioned value, unless the allocation is characterised by extreme answers of just a few respondents. In this case, they are illustrated separately as red dots.

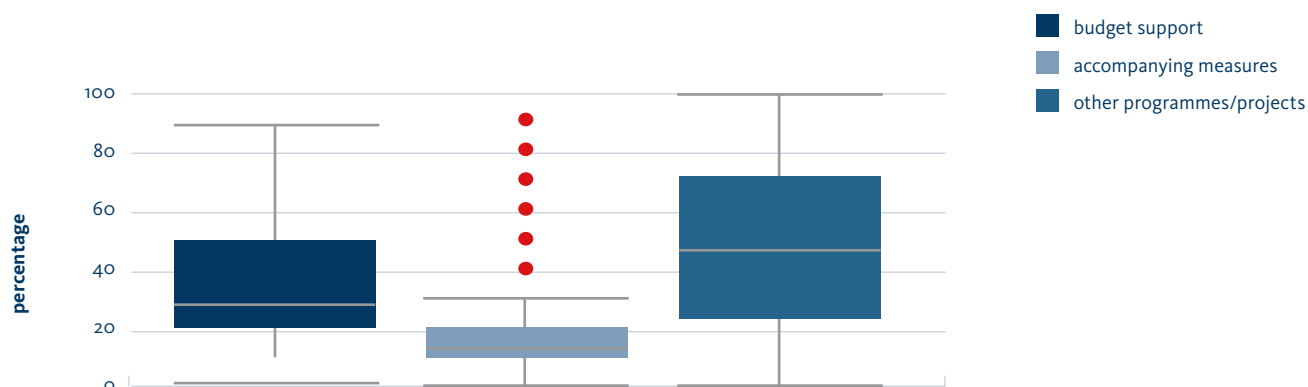
percent of the total portfolio for accompanying measures to be appropriate.<sup>29</sup>

Given the fact that only donor representatives participated in the online survey, the collected data cannot provide information on whether these assessments are shared by the partners. In one interview it was reported that there was a

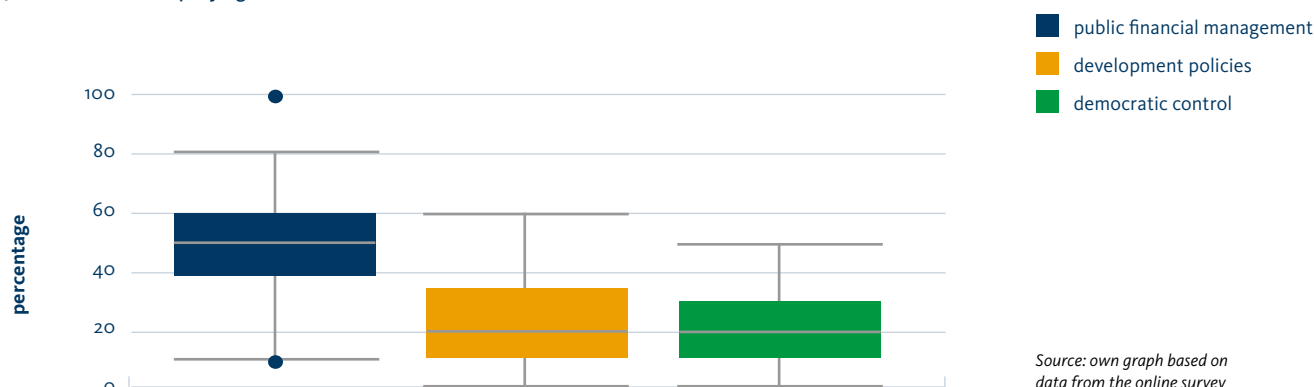
“tenacious fight“ with a partner government for every single euro that was intended for accompanying measures, because from the partner’s point of view, these measures represent a step backwards compared to pure budget support; they were perceived as a “vote of no-confidence”. Therefore, it cannot be assumed that from the partners’ point of view, a hypothetical allocation of development aid would have yielded a similar

**Figure 11. Hypothetical allocation of DC-budgets to different purposes**

a) allocation of the total budget



b) allocation of accompanying measures to the area



Source: own graph based on data from the online survey

<sup>29</sup> Even if the small number of cases within the data of the online survey do not permit a corresponding assessment, it can be generally assumed that the appropriate volume of accompanying measures differs from country to country. The weaker the structures of a country, the more accompanying measures seem to be appropriate. This also becomes apparent in the guidelines of the European Commission on budget support. For the so-called State Building Contracts (budget support for fragile states), the guidelines principally recommend the implementation of complementary technical assistance. Regarding the instruments of general and sector budget support (Good Governance and Development Contracts, or Sector Reform Contracts), the complementary measures are tied to previously conducted risk assessments (EC, 2012). A current study assesses the first experiences with the two largest EU State Building Contracts in two fragile states Mali and South Sudan. Using a similar line of argumentation the authors conclude: for South Sudan, which is far more characterised by chronic fragility, more complementary technical assistance is required than for Mali, which is currently in transition toward a more stable country after a period of crisis (Bernardi et al., 2015: 35).

high share of accompanying measures. When considering the volume of accompanying measures, their expansion must be carefully considered in cases of declining budget support. It is necessary to bear in mind that the expansion of accompanying measures could undermine the instrument of general budget support by a gradual return to project aid.<sup>30</sup>

Despite the reservations, there are partner representatives who are in favour of implementing accompanying measures, albeit not because of their particular modes of impact, but as a contribution to maintain budget support. In this regard, an interviewed representative of Tanzanian civil society stated:

*„Some donors want to go back to project funding which is a heavy burden for the already weak local level and implies huge transaction costs. What should be done is to keep general budget support and to cater to the concerns of the donors through the accompanying measures to budget support.“*

Regarding the allocation of budget to fund accompanying measures, the respondents spent an average of 50 percent for the area of public financial management, 24 percent for the formulation and implementation of development policies and reforms and 22 percent for strengthening democratic control. The Box-Whisker-Plot in figure 11b illustrates this clear focus on public financial management. The remaining portfolio is divided almost equally to the other two areas. For all respondents the allocation of the budget to the various accompanying measures hovers within a similar range in terms of percentage. The focus on the area of public financial management is consistent with the assessment of the severity of the problems for the budget support system (chapter 4.1.1) and the high number of implemented accompanying measures in this area (compare chapter 4.1.2 and portfolio analysis in chapter 2.1). This indicates a high level of relevance of accompanying measures for the area of public financial management.<sup>31</sup>

#### **Box 6. Determinants of the chosen share of budget support**

The share of development budget that a particular person allocates to budget support depends on various factors. Both individual characteristics of the person and the circumstances in the recipient country influence the decision regarding allocation. It is assumed that the perceived effectiveness of the instrument of budget support plays an important role: the more effective a person assesses budget support, the more this person is expected to make use of it. Analogous to this, a regression analysis of the data from the online survey reveals that the perceived effectiveness with respect to good governance has a large influence on the allocation of budget support. The perceived effectiveness of budget support with respect to the objective of poverty reduction plays only a minor role. This result reflects the prevailing dominance of the governance objective compared to the financing objective from the perspective of budget support donors, as has been repeatedly described in this evaluation.

In a regression analysis, the direction and strength of the relation between the various factors and the chosen share of budget support can be calculated. Table 3 outlines the result of such an analysis according to the least squares method. The dependent variable is the chosen share of budget support from the online survey. A significant explanatory factor for the chosen share of budget support is the subjective assessment of the effectiveness of budget support with respect to the objective of good governance. A rise of the perceived effectiveness of one unit on the scale ranging from one to four increases the chosen share of budget support on average by almost ten percent, provided that the other conditions remain unchanged. Interestingly enough, the subjective effectiveness of budget support with respect to the objective of poverty reduction does not have any statistically significant relation to the chosen share of budget support. Representatives of German DC are far more reluctant regarding the

<sup>30</sup> There is no danger in itself. Some of the projects declared as accompanying measures are part of superordinate DC-programmes, and hence are aligned to the principles of an effective DC.

<sup>31</sup> The respondents are donor representatives experienced in implementing budget support, but do not represent a certain thematic area of accompanying measures. Hence, a distortion of information due to personal priorities is not expected. However, there are differences in the chosen allocations for the respondent groups: respondents of KfW show a significantly higher share of budget for measures in the area of public financial management compared to respondents of the GIZ. This is the result of an analysis of variance, which is not depicted in this report.

allocation of budget support compared to international donor representatives; on average, they allocate 14 percent less to budget support. This fact corresponds to the generally reluctant use of budget support by German DC. The level of experience of the respondents, the quality

of governance in the recipient country (as measured by the Worldwide Governance Indicator Voice and Accountability of the World Bank), and the economic situation (as measured by the GDP per capita) are not significantly related to the chosen share of budget support.

**Table 3. Results of the regression analysis to explain the chosen share of budget support in the online survey**

	Model 1	Model 2	Model 3	Model 4	Model 5
Effectiveness BS poverty reduction	2.522 (3.73)	1.499 (4.04)	1.425 (4.09)	4.941 (3.76)	
Effectiveness BS governance	7.417* (4.15)	8.919** (4.1)	9.080** (4.24)		9.315** (3.71)
Representatives of German DC		-14.232*** (5.00)	-14.416*** (5.15)	-12.133** (5.14)	-15.431*** (4.89)
Respondents with a lot of experience			-0.916 (5.39)	2.004 (5.33)	-1.207 (5.09)
WGI Voice and Accountability		-0.941 (9.89)	-0.976 (9.95)	1.699 (9.99)	-2.145 (8.72)
GDP per capita		0.001 (.01)	0.001 (.01)	-0.001 (.01)	0.002 (.01)
Constant	9.121 (11.48)	13.388 (13.32)	13.426 (13.41)	28.325** (11.59)	15.77 (12.57)
N	81	81	81	82	85
R2	0.065*	0.156**	0.157**	0.101	0.16**

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ . The level of significance for which the hypothesis that the coefficient of determination of the model is zero, can be rejected in an F-Test, is marked correspondingly after the R2.

## 4.2 Effectiveness of accompanying measures to budget support

This chapter examines the question of how accompanying measures can contribute to an increased effectiveness of

budget support. The modes through which accompanying measures can be effective are examined in greater detail by considering the hypotheses and mechanisms derived in chapter 3. If and to what extent these mechanisms function is also assessed based on the empirically collected data and previous budget support evaluations and studies.

### 4.2.1 Accompanying measures and policy dialogue

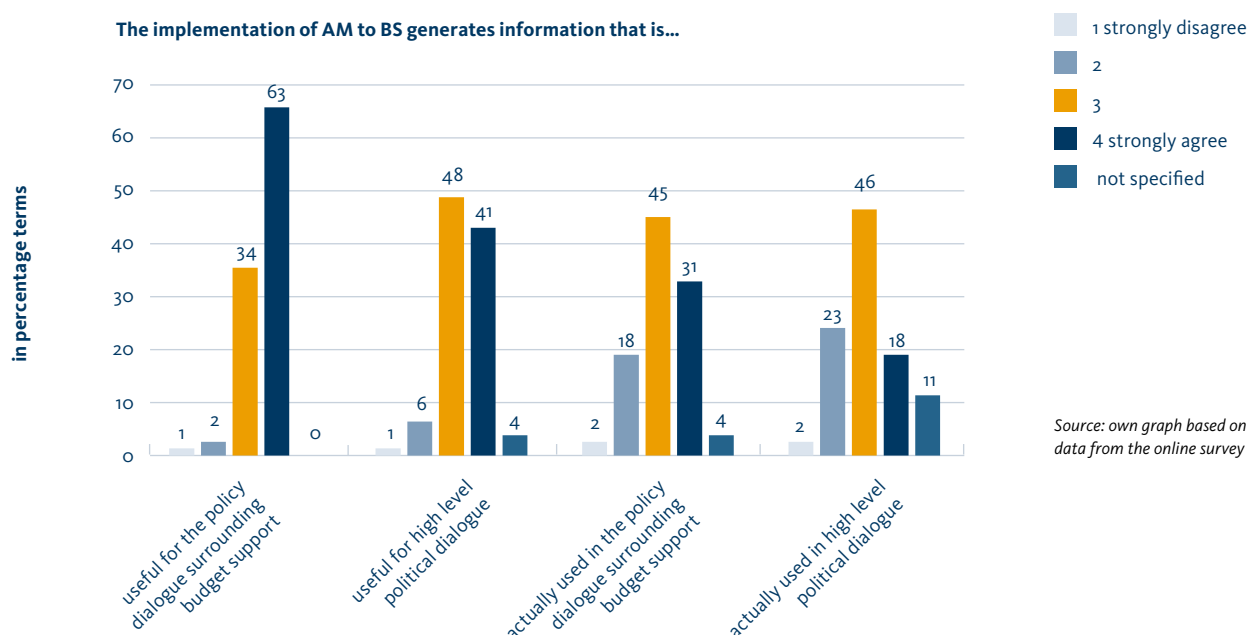
Impact direction	Hypothesis	Mechanism	Evidence
AM > policy dialogue	<b>Hypothesis 1:</b> Accompanying measures improve the quality of policy dialogue.	<b>Mechanism 1:</b> Accompanying measures provide information about the quality of public services and the need for support of government institutions. In turn, this information is used in policy dialogue.	strong <sup>32</sup>
		<b>Mechanism 2:</b> By implementing accompanying measures, donor representatives expand their knowledge and skills and can act as qualified partners in policy dialogue.	strong

The first hypothesis to be verified states that accompanying measures improve the quality of policy dialogue. It is based on statements gathered from initial meetings to clarify the evaluation as well as on formulations found in programme documents. The improvement of the quality of policy dialogue through accompanying measures is described by two mechanisms, which were identified in explorative interviews in Mozambique.

The first mechanism involves the informational function of accompanying measures for policy dialogue. Through implementing accompanying measures, donor representatives receive information about existing challenges in partner institutions which can be incorporated into policy dialogue.

This mechanism was particularly confirmed within technical policy dialogue, where information from accompanying measures, especially in the area of public financial management was used in the policy dialogue. If this information is taken into account when assessing a meaningful indicator in the Performance Assessment Framework (PAF), then the benefit is particularly high. A representative of the World Bank reported that accompanying measures provide crucial information about reform progress and problems regarding the compliance of Prior Actions (i.e. the disbursement indicators of the World Bank). Several donor representatives emphasised the fruitful dialogue in the area of Public Financial Management (PFM), in which developments in public financing are analysed and progress within the reform

Figure 12. Use of information from accompanying measures for policy dialogue



Source: own graph based on data from the online survey

programme is jointly assessed. Substantial discussions about the challenges of public financial management with regard to the PFM-reform programmes led to more realistic goals regarding the PFM-indicators in the PAF, and hence, to improvements.

The first mechanism was also confirmed in the online survey. The majority of the respondents indicated that, due to the implementation of accompanying measures, useful information was provided for the policy dialogues. This applies to the technical policy dialogue (96 percent confirmation) as well as to high-level policy dialogue (89 percent) held between representatives of the partner government and ambassadors of the donors. Regarding the utilisation of the obtained information for policy dialogue, there was less confirmation. The confirmation is 75 percent for technical policy dialogue and 64 percent for high-level policy dialogue. Possible reasons for this lower utilisation of information in policy dialogue are explained in chapter 4.2.2.

The second mechanism to improve policy dialogue through accompanying measures works when donor representatives accumulate knowledge and skills through the implementation of accompanying measures, and as a result act as more qualified partners in policy dialogue. This mechanism was vividly described by one donor representative in Mozambique regarding public financial management:

*„For engagement in PFM areas you need technical expertise; project managers need to acquire skills and knowledge in this area which they then use in the policy dialogue. As a consequence, the policy dialogue improves. Without the technical assistance programme, agencies would not be able to participate in the policy dialogue with the same quality.“*

The logic behind this mechanism states that qualified policy dialogue can only work if the participating donor representatives have the expertise to represent well-founded positions on complex issues. Hence, the mechanism is particularly relevant for the technical policy dialogue. The added value of accompanying measures for the donors stems from the implementation of such measures, which, in turn, generate specific knowledge about the complex

political and administrative systems of the partner country. This knowledge is incorporated into policy dialogue. One example is PFM-advisors who are deployed by KfW in its country offices to coordinate accompanying measures in this area and participate in policy dialogue. Another example is consultants of GIZ, such as those within the GFG-Programme in Ghana, who use their acquired knowledge and experience gained by implementing accompanying measures in the working group on public financial management. The level of information within policy dialogue can be increased through close cooperation between TC and FC. However, for GIZ-consultants the risk of role conflicts has been reported. In an ideal case, they should cooperate in a close and trustful manner with the respective authority of the partner government. Yet, there is the risk of impairing the relationship of trust between consultants and their colleagues in the governmental institution if the consultant is closely interlinked with the donor group.

From the partner government's point of view, an adequate understanding of the country's budget systems among donor representatives is an important prerequisite for a fruitful policy dialogue. Thus, in Mozambique, the partner side described insufficient knowledge on the side of donor representatives as being obstructive to the progressive, problem-oriented dialogue on public financial management. Nevertheless, the expert knowledge of donor representatives could be expanded and the quality of policy dialogue could be improved by additional trainings initiated by KfW on distinctive country-specific features of the budget process.

To conclude, accompanying measures can contribute to improving the quality of the policy dialogue. On the one hand, crucial information is provided, which can be incorporated on different levels in the dialogue (mechanism 1). On the other hand, the experiences drawn from implementing accompanying measures increase the professional competencies of the donor representatives and facilitate an improved policy dialogue (mechanism 2). The added value of accompanying measures therefore lies in the improvement of policy dialogue and an increase in the effectiveness of budget support.



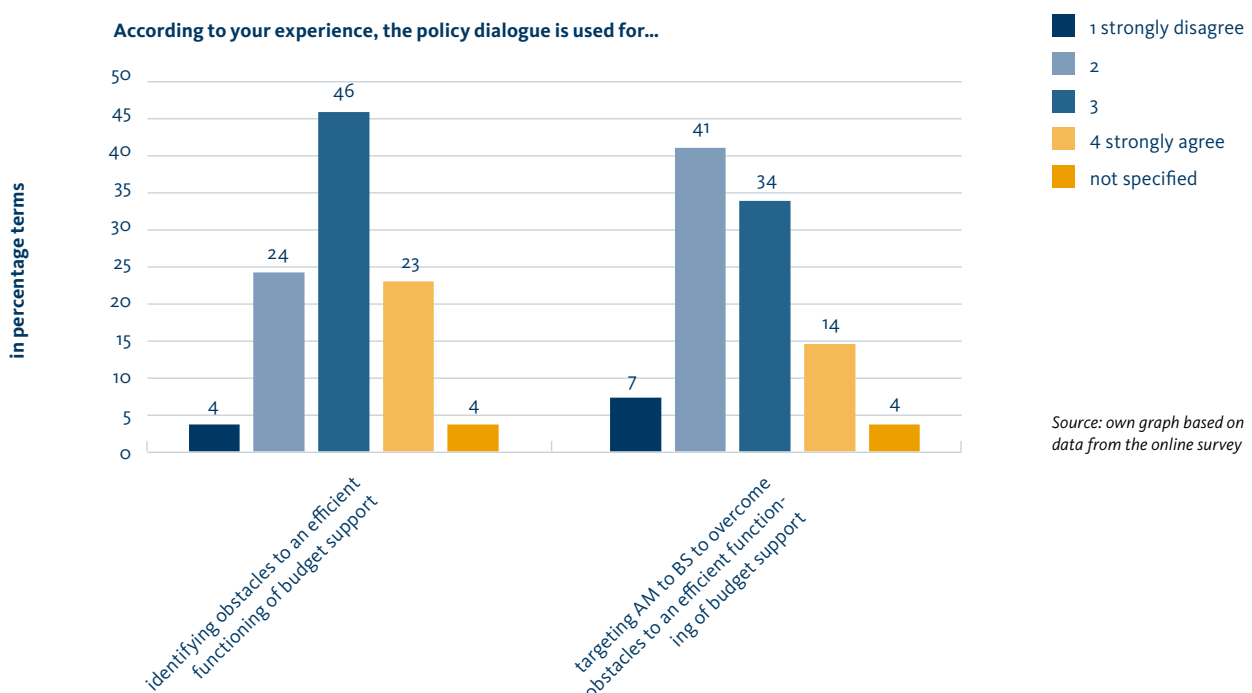
### 4.2.2 Policy dialogue and accompanying measures

Impact direction	Hypothesis	Mechanism	Evidence
<b>Policy dialogue &gt; AM</b>	<b>Hypothesis 2:</b> Policy dialogue increases the effectiveness of accompanying measures.	<b>Mechanism 3:</b> Accompanying measures are planned and implemented on the basis of a needs assessment in order to eliminate the weaknesses in the system in a targeted way.	mixed
		<b>Mechanism 4:</b> Planning and implementation of accompanying measures is coordinated among donors.	mixed

The second hypothesis to be verified states that policy dialogue increases the effectiveness of accompanying measures. The question whether accompanying measures are aligned with a needs assessment drawn from the policy dialogue (mechanism 3) is answered based on results from the online survey and interview statements. Participants of the online survey were asked if policy dialogue is used to identify weaknesses in the budget support system, and if accompanying measures are used to eliminate these weaknesses in a targeted way.

Results from the online survey show the following picture: the majority of the interviewed donor representatives (69 percent) agreed that policy dialogue is used to identify weaknesses in the budget support system. Almost half of the respondents (48 percent) confirmed the statement that policy dialogue is used to apply accompanying measures in a more targeted manner to address the identified weaknesses. With regard to the identification of weaknesses, the agreement among representatives of German DC matches the overall results, while the agreement to use policy dialogue

**Figure 13. Use of policy dialogue to identify and address weaknesses in the budget support system**



in order to apply accompanying measures for addressing the identified obstacles was a little bit higher (56 percent).

The interviews confirm that weaknesses are identified within the policy dialogue. Donor representatives from Mozambique reported an active exchange of information in the working group on public financial management. In five subgroups,<sup>32</sup> needs are expressed by partner representatives, which are then collected by the PFM-reform committee. However, accompanying measures are not always used according to the identified weaknesses. An experienced consultant in the area of budget support described a 'programming gap' for Mozambique, where each donor representative individually decides which type of accompanying measures to choose in which thematic area. Donor representatives justify such an ad hoc allocation of accompanying measures with their own administrative regulations and the poor quality of policy dialogue. International experts had the same impression.

The fourth mechanism states that planning and implementing accompanying measures is coordinated among donors. Previous budget support evaluations indicate problems in coordinating accompanying measures. In an early synthesis report of budget support evaluations, Lister (2006) finds accompanying measures to be the least integrated element of budget support (Lister, 2006: 4).<sup>33</sup> More recent synthesis studies reveal that accompanying measures fall short of their potential due to the lack of strategic planning (Lawson, 2014: 76).<sup>34</sup> Although synergies may occur with basket funds being closely linked to budget support (Lawson, 2014; Schwedersky et al., 2014),<sup>35</sup> problems of fragmentation and coordination arise, when accompanying measures are implemented outside the planning and monitoring processes of budget support (Lawson et al., 2014; Rønsholt, 2014: 26).

The fourth mechanism was analysed in the online survey. The participants were asked if donors plan and implement their accompanying measures in a coordinated way within the scope of policy dialogue.

The assessment of donor representatives pertaining to the coordination of accompanying measures show reluctant agreement to the respective statements (compare figure 14). 39 percent believe that the planning of accompanying measures is coordinated within policy dialogue. The statement that policy dialogue is used to coordinate the implementation of accompanying measures has been confirmed by about one third of the respondents (34 percent). The statements of German respondents slightly differ from the overall picture. In total, the survey result illustrates that donor representatives do not (sufficiently) use policy dialogue to coordinate accompanying measures, neither to better address the identified weaknesses, nor to increase the efficiency in the implementation of their instruments. Thus, they do not fulfil their planned commitment to coordination as associated with budget support.

Coordination problems for accompanying measures result primarily from the group size of budget support donors. Numerous formal provisions, as well as diverging objectives and requirements for general budget support, generate friction not only in large groups such as in Mozambique with its group of (up to) 19 donors (Molenaers, 2012). Originally, budget support was meant to reinforce a division of labour between donors. In order to reduce the transaction costs for partners, donors were supposed to be only committed in selected countries and sectors in accordance to their comparative advantages (Koeberle et al., 2006: 409ff). The ideal form were so-called silent partnerships, whose implementation was already deemed to be difficult in the early years of budget support (Koeberle et al., 2006: 459). More recent studies of budget support demonstrate increasing problems in the area of donor coordination. Until now, donors did not manage to transform the different objectives of budget support into a coherent system of incentives for partner governments (Faust et al., 2011; Tavakoli and Smith, 2013: 61). In view of this 'unfinished harmonisation', previous studies identify the coordination of all DC at the country level to be the greatest challenge. Evaluations in Mali, Tunisia, and Zambia reveal the main problems to be weakly coordinated

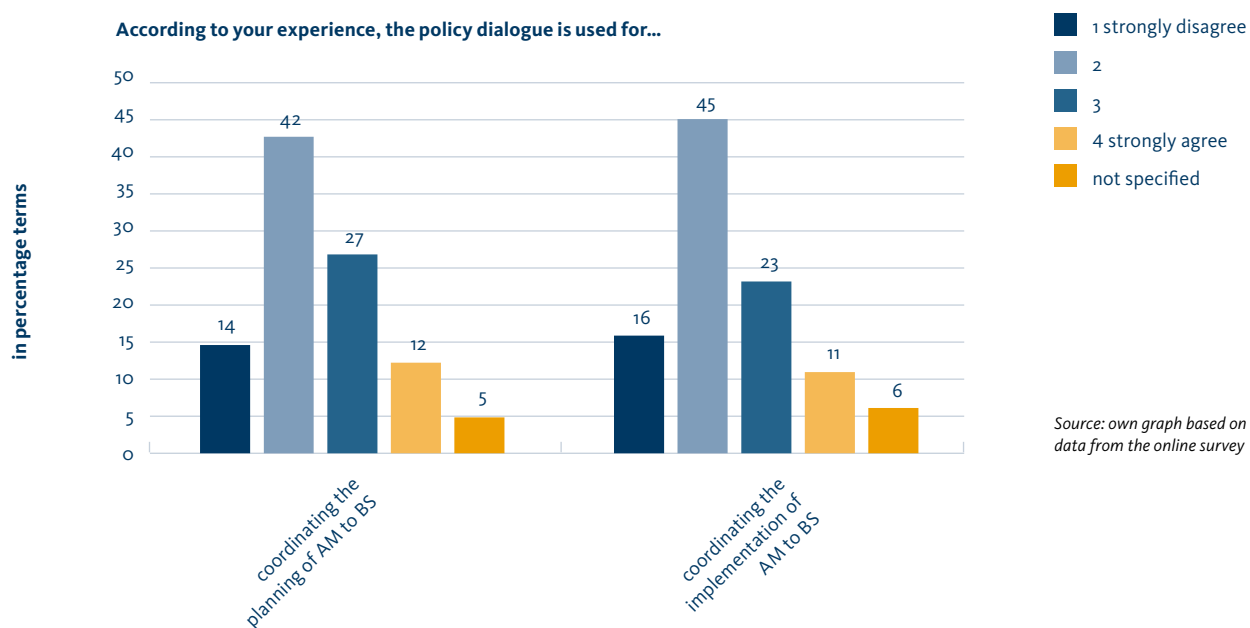
<sup>32</sup> The PFM working group in Mozambique comprises five subgroups: budget analysis, integrated financial management system (Sistema de Administração Financeira do Estado - SISTAFE), procurement, audit, and revenues.

<sup>33</sup> In the case study on Mozambique, Batley et al. (2006) revealed that accompanying measures „...have never really been developed as a coherent PGBS strategy (Chapter B1).“ (128)

<sup>34</sup> At the same time, a recognized problem is that donors cannot react to the identified needs due to their reduced flexibility (Lawson, 2014: 76).

<sup>35</sup> The current DEval evaluation "30 years of Rwandan-German Development Cooperation in the Health Sector" has shown that synergies arise from the combination of sector budget support and measures for capacity building to improve organisations and the implementation of sector policies (Schwedersky et al., 2014: 113) and that a targeted bilateral embedding of such measures in the sector portfolio of individual donors can open new doors for policy dialogue (Gaisbauer and Schwedersky, 2015).

Figure 14. Use of policy dialogue to coordinate accompanying measures



work in sectors, unrealistic PAF-indicators, and overlapping coordination structures (Caputo et al., 2011a: 3).

The coordination of accompanying measures is impeded if a strategy of the partner government does not exist, to which the donors can align themselves. A comprehensive poverty reduction strategy is a basic prerequisite for the implementation of budget support, whereas cross-sector strategies for capacity development are not the rule. Lister (2006) describes the limited willingness of partners to take on their own responsibility for coordinating development assistance in general and states that the coordination of accompanying measures is difficult (Lister, 2006: 4). A more recent synthesis study financed by DANIDA confirms this observation. Accompanying measures are most likely to be coordinated when they are closely aligned with budget support or embedded in sector-wide approaches (SWAPs) (Rønsholt, 2014: 26). One example of this can be found in Zambia, where a PFM basket fund was established. However, the overall coordination of accompanying measures was

evaluated to be insufficient due to a lack of coordination of individual measures outside this PFM-basket (de Kemp et al., 2011).<sup>36</sup> In line with the observations from previous evaluations, the difficulty of coordinating accompanying measures in Mozambique is outlined in box 7.

#### Box 7. Coordination of accompanying measures in Mozambique

In general, donor representatives in Mozambique describe the coordination of accompanying measures as difficult, but indicate some examples of very good coordination. Many criticise an insufficient division of labour within the donor group regarding the support to individual thematic areas. Some admit that they do not have an overview of the accompanying measures of other donors. The basic problem is the size of the donor group and the vast number of areas, in which accompanying measures are being implemented.

<sup>36</sup> „At the moment, there is no coherent and harmonized approach to capacity development under which a formalized coordination and dialogue process could be established. As a result, technical assistance is inefficient, potential synergies are not tapped, sustainability is not guaranteed and the analytical capacity to support the PRBS process remains unused.“ (de Kemp et al., 2011: 28)

Some donor representatives regard coordination as a responsibility of the partners. They comment further that, although there are work plans of subordinate authorities (such as the court of auditors or the tax authority), a centrally developed and cross-sectoral strategy of the government is missing. Hence, it is even more difficult for donors to proactively align their measures to the priorities of the partner. Due to administrative reasons, a flexible reaction is often not possible for them. While the World Bank and the African Development Bank can flexibly offer short-term consultancy and support services directly linked with their disbursement indicators, bilateral donors such as Germany are less flexible in their adaptation, since their accompanying measures are normally designed for medium- to long-term periods.

The coordination of accompanying measures depends on the quality of the respective working group. One example of good donor coordination is the PFM working group. Here, an exchange on current developments takes place on a regular basis, where e.g. reports of the IMF are also discussed. Efforts for better coordination are made by donors and partners alike. On the donor side, an inventory of accompanying measures in the area of public financial management was taken under the lead of the European Commission. On the partner side, the subordinate authorities supported by accompanying measures specifically contribute to more transparency. The court of auditors publishes a list of individually financed consultancy and support services in an annex to its annual work plan. This special status of public financial management in Mozambique has also been confirmed by existing budget support evaluations.

Another differentiation can be observed for the types of accompanying measures. Representatives of Mozambican authorities stated that they prefer accompanying measures in the form of basket funds. Despite the advantages from the partners' perspective and the confirmed success of many basket funds in Mozambique (Lawson et al., 2014), representatives of the tax authority report that some donors implement individual accompanying measures beyond the harmonised procedure of basket funds. An increased demand for coordination also exists at the Mozambican court of auditors, where support services of new donors outside the structures of basket funds were expanded over the past years. The court of auditors does not have its own strategy for coordinating technical assistance and capacity development. Thus, according to an international consultant, the challenge for donors remains in harmonising these measures as far as possible.

To conclude, many donor representatives use their knowledge from policy dialogue about the weaknesses in the system to target the accompanying measures (mechanism 3). However, major challenges remain regarding the coordination of accompanying measures. Policy dialogue is not used systematically for coordinating the planning and implementation of accompanying measures (mechanism 4). The extent of coordination of accompanying measures strongly depends on the respective aid modality. Stand-alone consultancy and support projects of individual donors have to be differentiated from the stronger integrated and commonly funded approaches. Both mechanisms depend on the quality of the technical policy dialogue and they both function mainly in the area of public financial management.

### 4.2.3 Budget support funds and accompanying measures

Impact direction	Hypothesis	Mechanism	Evidence
<b>BS &gt; AM</b>	<b>Hypothesis 3:</b> The financial contribution of budget support increases the effectiveness of accompanying measures.	<b>Mechanism 5:</b> The financial contribution of budget support associated with the PAF-indicators offers an incentive to government institutions to request accompanying measures and to use them.	mixed

Important insights can be drawn from previous evaluations of budget support regarding the relation formulated in hypothesis 3. On the one hand, it has been proven that systemic changes can hardly be achieved against the explicit will of the partner country, even when substantial financial incentives have been offered. On the other hand, in areas where donors and partners pursue the same objectives, positive effects of budget support can be observed (Caputo et al., 2011a; Lawson, 2014; Tavakoli and Smith, 2013).

The interviewed donor representatives confirmed positive effects of the financial element of budget support on the willingness of the government to implement reforms. The majority of the interview partners share the view that responsible persons in partner institutions have a greater interest in implementing and finalising reforms, if budget support is granted. It was also emphasised that, through the financial incentive of budget support, the speed of reforms can be increased.

The majority of the interviewees emphasised that the effectiveness of accompanying measures can be increased by linking them to the financial contribution of budget support. It was stated that accompanying measures implemented in the context of budget support obtain a political dimension and are therefore backed at a higher political level within the partner country. One example is found in the consultancy work for the courts of auditors. According to the assessment of an experienced consultant, the effectiveness of these measures increased after a PAF-indicator related to the expansion of auditing had been introduced and after questions raised by the court of auditors were increasingly discussed in the policy dialogue. At the same time, the entry criteria for budget

support can have a positive effect on the effectiveness of accompanying measures: one added value of accompanying measures embedded in the context of budget support is the fact that they are less exposed to political risks given that they are secured by the core conditionalities of budget support inherent in the Underlying Principles.

Mechanism 5 refers to the financial contribution of budget support, which is linked to the achievement of certain PAF-indicators. In order to incorporate result-oriented performance incentives within their budget support programme, budget support donors have been increasingly using variable tranches in recent years. In doing so, the disbursement of a part of the committed budget support fund is associated with the fulfilment of certain PAF-indicators, which have become to be known as disbursement indicators or triggers. Although Germany originally intended the use of variable tranches in exceptional cases only, variable tranches have been established in several recipient countries (Faust, 2012a: 12f). However, previous evaluations of budget support raise doubts with regard to the effectiveness of variable tranches. The expected effects of the incentives, such as increasing the speed of reform, did not materialise. On the contrary, negative effects emerged concerning the predictability of budget support funds (ICAI, 2012; Lawson et al., 2013: 13; Lawson, 2014: 79; Lawson et al., 2014: 72; Rønsholt, 2014: 22).<sup>37</sup>

Donor representatives attach great importance to the PAF-indicators. In the online survey, 55 percent considered a coordinated reaction of donors to non-compliance with PAF-indicators to be “very important”, another 30 percent as “important” for strengthening the commitment and

<sup>37</sup> The main reason for the failing incentive effects expected from variable tranches is considered to be due to the insufficient coordination of certain donors. For example, the introduction of variable tranches in Zambia and Mozambique by the German side was not harmonised among budget support donors (Faust, 2012a: 12). In other countries, embedding variable tranches with a coherent system of incentives based on just a few disbursement triggers has also not been successful [compare for Zambia de Kemp et al. (2011: 22), for Mozambique Lawson et al. (2014: 70ff)]. The benefit of variable tranches lies more on the donor's side, because they can use them as a signal to their home constituencies. Moreover, they allow donors to react flexibly to governance problems in the partner country.

ownership of the partner government with respect to the implementation of accompanying measures. During qualitative interviews, interlocutors confirmed that the effectiveness of accompanying measures increases if they are linked to financial funds of budget support with well-defined indicators:

*„I think we definitely need financial aid that is linked to good indicators for Technical Assistance to be more effective.”*

Examples for the functioning of the hypothesised mechanism were described mostly in the area of public financial management. Donor representatives from Tanzania and Mozambique pointed to the PFM-focus in policy dialogue and reported that accompanying measures have gained importance due to PAF-indicators. The sharp increase of donors' involvement by means of accompanying measures at the Mozambican court of auditors can be attributed to the crucial importance of this institution for budget support. Donor representatives, as well as experts, report that the PAF-indicator regarding the expansion of audits implemented by the court of auditors provides a strong incentive for the expansion of its activities.<sup>38</sup> In Ghana, too, where a variable tranche had been incorporated from the beginning of the budget support programme, the focus on public financial management is also justified by its crucial importance for budget support. Since the beginning of the budget support programme, at least two disbursement indicators for the variable tranche in the area of PFM have always been included in the PAF.

Assessments from the partner's perspective are dispersed concerning questions whether budget support creates an incentive effect and what role the PAF-indicators play. On the one hand, partner representatives of the Mozambican tax authority have observed such an incentive effect. In this case the tax authority receives additional funding from budget support donors through a basket fund for implementing the authority's action plan. The link to budget support is provided by a PAF-indicator in which the tax burden is expected to increase

at a rate of 0.5 percent annually. Representatives of the tax authority also reported close cooperation with the finance ministry, since the ministry continuously demands progress in this area in order to reach the target set out in the PAF. For the tax authority, this translates into a strong incentive for increasing their own revenues and for also achieving the target set in the PAF. On the other hand, representatives of the Ministry of Planning and Development of Mozambique did not like to call the interrelation between the financial contribution of budget support and accompanying measures an 'incentive'. They argue that this formulation would suggest that the government is not willing to expand the capacities of their own institutions without budget support. They rather see an opportunity to recognise weaknesses in the system and a chance to eliminate these weaknesses by means of accompanying measures offered in combination with the various elements of budget support. In a study on the effectiveness of variable tranches, Orłowski (2013) points out that from the Finance Ministry's perspective, no special attention has been paid to the relevant disbursement indicators of the PAF [compare Orłowski 2013, quoted in Lawson et al. (2014: 82)].

The increase of accompanying measures relating to budget support is not a result of growing demand from the partner institutions, but is rather due to the requirements of donors. Nevertheless, representatives on the partner side indicated their own interests in the improvement of public financial management. These own interests could also be supported by budget support donors. Examples of this are found in the basket funds provided to support PFM reform programmes in Tanzania and the court of auditors in Mozambique. However, interlocutors of the donor and partner side reported that a vast amount of accompanying measures is supply-driven and that the accompanying measures proposed by donors are rarely rejected. Accompanying measures are rather perceived as requirements of the donors which the partner government accepts in order to ensure a continuous flow of budget support:<sup>39</sup>

<sup>38</sup> *The Mozambican court of auditors has strongly extended its auditing over the past years. In 2004, there have only been 29 audits; over the years, the court of auditors increased its activity continuously up to 450 new audits in 2012. Moreover, the quality of the audit reports has improved as well after the extension of auditing to the district level took place (Lawson et al., 2014: 117f).*

<sup>39</sup> *In their evaluation on budget support in Zambia, de Kemp et al. (2011), show that accompanying measures are often regarded to be a prerequisite to receive budget support and that a vast part of these measures have been taken on donors' initiative. Due to the lack of government ownership, these measures have been assessed to have little effect (de Kemp et al., 2011: 96).*

„Accompanying measures get the political blessing because of budget support. [The] Ministry of Finance is seen as [the] main beneficiary, and therefore the Prime Minister backs their request for better systems with the aim of improving macroeconomic management. As a result, only the PFM reform is progressing.”

Assessments of the incentive effect of the financial contribution on the demand for and use of accompanying measures differs between KfW and GIZ. From the perspective of KfW, which is responsible for the allocation of budget support, as well as the first layer of accompanying measures, this incentive effect exists. It was repeatedly emphasised that the dialogue on issues of public financial management and activities in the context of accompanying measures established in recipient countries would have never occurred without the financial contributions of budget support. With the current trend of declining participation of Germany in budget support programs, some programme managers fear the risk of losing the role Germany has had in policy dialogue and hence, its ability to have an influence on reform processes. Interviews with GIZ-representatives gave a mixed picture. Both, country directors and persons responsible for the projects in various countries, emphasised the general autonomy of their projects. Even if they might benefit from being embedded in the context of budget support, interlocutors do not expect any negative consequences for their

projects after German budget support expires. Nevertheless, according to assessments of persons responsible for the projects, there is a distinction between smaller consultancy projects, where no leverage effect has been observed, and larger projects in the area of good financial governance (GFG) and decentralisation, which benefit more from their links to budget support. The “pressure” exerted by budget support is considered to be helpful for the progress of GFG-initiatives. Budget support is also described as a “door opener” for the consultancy work related to decentralisation of the court of auditors.

To conclude, the assessments from the interviews indicate that the relation between financial elements of budget support and the effectiveness of accompanying measures described in hypothesis 3, generally exists. Yet, a financial incentive arising from the variable tranche is not a decisive factor in this. The measures embedded in the context of budget support receive more political backing and are protected against risks through Underlying Principles. An incentive effect does not necessarily result from variable tranches associated with PAF-indicators, but rather through the financial leverage of budget support as a whole. Despite this financial incentive, demands from the partner side are mainly for measures to strengthen public financial management. In other areas, most of the accompanying measures are donor-driven.

#### 4.2.4 Accompanying measures in the areas of public financial management and democratic control

Impact direction	Hypothesis	Mechanism	Evidence
AM < > AM	<b>Hypothesis 4:</b> Accompanying measures in the area of public financial management and accompanying measures in the area of democratic control mutually reinforce each other.	<b>Mechanism 6:</b> Transparent institutions of public financial management generate and publish budget information.	strong
		<b>Mechanism 7:</b> Civil society, parliament and the media use the published budget information and increasingly demand accountability from the government	moderate



Hypothesis 4 refers to the budget support objective of enhancing democratic accountability in recipient countries. For this purpose, accompanying measures can address both the supply side of democratic accountability (institutions of public financial management) and the demand side (democratic control by civil society, parliament and the media).

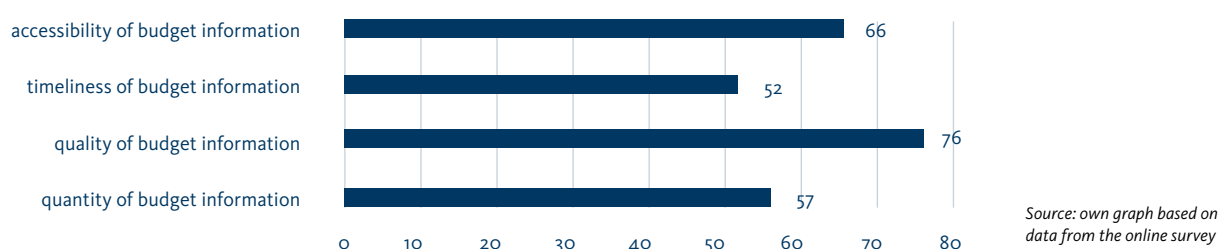
Previous evaluations have shown that the supply side of democratic accountability is particularly strengthened by budget support. On the one hand, these improvements are regarded to be a result of the focus on country systems in the partner country. On the other hand, accompanying measures providing consultancy and support services have directly strengthened the capacities of local systems. In some partner countries, budget transparency increased since the introduction of budget support - an improvement which can be attributed to budget support in some cases. However, the effects on the demand side of democratic accountability have not been assessed sufficiently (Faust et al., 2012; de Kemp et al., 2011; Schmitt and Beach, 2014; Tavakoli and Smith, 2013).<sup>40</sup>

According to statements of donor representatives regarding mechanism 6, accompanying measures concerning accountability had a positive effect on the supply side by providing budget information. The online survey showed that accompanying measures especially had an impact on the quality of budget information (76 percent agreement), as well as access to budget information (66 percent agreement) (see figure 15).

According to the assessments of the online survey, interview partners in Tanzania and Mozambique from both donor and partner sides reported that the quality and availability of budget information improved after the introduction of budget support, even if the information in many budget-related documents fall short of the expectations. One example of the significance of budget support donors<sup>41</sup> is their influence on the reforms of the public financial management system in Mozambique. In particular the introduction of an integrated financial management information system was mentioned, which had been supported by comprehensive accompanying measures from several donors. One important contribution

**Figure 15. Accompanying measures and provision of budget information**

**How do accompanying measures improve the provision of budget information by PFM-institutions ?  
(percentage of the interviewees)**



<sup>40</sup> Notwithstanding this evaluation gap, donors emphasize the importance to support actors on the demand side of domestic accountability through accompanying measures of budget support. The current budget support guidelines of the European Commission state: „Budget transparency is a necessary, but not sufficient condition for the oversight and scrutiny of the budget. The systematic integration of programmes to support national legislative and oversight bodies, as well as internal control structures, is key in this regard in order to address capacity weaknesses.” (EC, 2012: 39)

<sup>41</sup> With the objective of building an integrated financial management system (Sistema de Administração Financeira do Estado – SISTAFE), several donors support the government with accompanying measures. The SISTAFE-reform is continually supported by the means of a basket fund which includes contributions from Norway, Denmark and Italy. Moreover, the EU provides financial assistance and offers further funds for short-term consultants (EU, 2014).

to improve budget transparency in both countries originates from measures for strengthening the respective courts of auditors. These were especially promoted in the course of accompanying measures to budget support. The institutions in both countries received such accompanying measures through basket funds, as well as through projects of individual donors. As a result of the increased financial and technical assistance of donors, the auditing activities of the Mozambican Tribunal Administrativo could be expanded significantly. In Tanzania, the scope, quality, and timeliness of audit reports from the court of auditors have improved significantly from 2006 to 2010.<sup>42</sup>

The findings from the online survey and interviews in Mozambique and Tanzania largely coincide with results from previous budget support evaluations and studies. In several publications, budget transparency is described as an area, which could be improved by budget support (Caputo et al., 2011a: 6; Lister, 2006: 5; Loquai and Fanetti, 2011: 53; Rønsholt, 2014: 11). A positive contribution of budget support toward improved transparency is found in Tanzania, where budget transparency increased following new impulses in policy dialogue (Lawson et al., 2013: 32). However, the case of Zambia differs from the entire picture. Although Zambia's court of auditors was indeed strengthened by accompanying measures to budget support, budget transparency and the involvement of parliament and civil society in the budget process could not be improved (de Kemp et al., 2011: 117).

Besides strengthening the supply side, accompanying measures also address the demand side. Mechanism 7 postulates the use of published budget information by civil society, parliament, and the media, as well as an increasing demand of accountability from the government. In the online survey, donor representatives stated that accompanying measures strengthened capacities on the demand side, particularly regarding the knowledge of access to budget information. However, only about one third of the respondents assume that actors on the demand side request higher quality budget information from government institutions as a consequence of the accompanying measures (see figure 16).

Many interviewees confirmed the results drawn from the online survey. Although the capacities of civil society, parliament, and the media to use budget information have increased, this has not reached improvements on the supply side. The ability to appropriately assess comprehensive budget data and audit reports and to participate in the relevant debates depends on comprehensive technical skills, which can only be attained over time. Previous evaluations and studies mostly indicate a rather challenging situation: in the evaluated low-income countries, only a limited number of actors on the demand side of democratic accountability have the necessary capacities required to fulfil their control function (Loquai and Fanetti, 2011; Rønsholt, 2014).

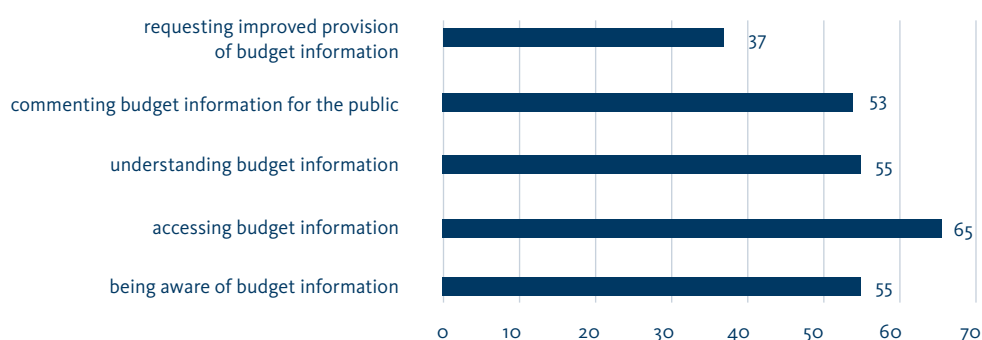
Media reporting on the budget process has improved in Mozambique and Tanzania, yet the reporting strongly depends on the expertise of journalists, as well as on the quality of the available information. In Tanzania, the demand of the media for reports from the court of auditors has risen and these documents have also been used for reporting. Financed by a number of donors through an accompanying measure, the Tanzania Media Fund has been able to support journalists to extend their competencies in reporting on parliamentary budget debates and for controlling public expenditures. Moreover, journalists have more frequently reported irregularities within the public financial administration to the public accounts committee. In Mozambique, the heads of two media companies reported that the increased number of budget-related documents and audit reports have been used by journalists. Given the highly technical journalistic requirements, editors cooperate with external experts, as well as professionals within civil society. As an accompanying measure, KfW funded journalist trainings to increase competencies in budget issues (conducted by budget experts of a local consultancy company) and in professional reporting (conducted by Deutsche Welle).

In Mozambique, there is a small number of civil society actors who have increasing expertise in public financial management. They critically discuss budget issues and actively demand information from the government.

<sup>42</sup> For the period of 2006–2010, the respective indicator (PI-26) of Public Expenditure and Financial Accountability Assessments clearly shows improvements (from D+ to B+) in the scope, quality, and timeliness of the reports of the court of auditors (Lawson et al., 2013: 71). Mozambique's court of auditors also largely expanded its auditing activities from 29 (2004) to 450 audits (2012) over the last years (Lawson et al., 2014: 117f).

**Figure 16. Accompanying measures and use of budget information by civil society, parliament and the media**

**How do accompanying measures increase the capacity of civil society, parliament and the media to absorb and use the provided budget information? (percentage of the interviewees)**



*Source: own graph based on data from the online survey*

However, these actors reported a very slow improvement of budget transparency, especially regarding state-owned enterprises involved in extractive industries. Interviewees from Tanzania criticised that the provided budget data has not yet been used or processed sufficiently, due to a lack of experts and professionals acting as intermediaries. A competent discussion of the issues is just taking root within civil society. The Policy Forum in Tanzania, a network of civil society organisations, plays a pivotal role. The network has established various working groups focused on the national budget and has initiated a participatory budget. Over the last eight years, the work of the forum could be largely expanded due to increasing support from budget support donors (Lawson et al., 2013: 70).

The demand side of democratic accountability in the area of parliamentary control, was addressed by accompanying measures in both Mozambique and Tanzania. In Tanzania, trainings in cooperation with the court of auditors were carried out for members of parliament as part of an accompanying measure financed by the PFM-reform programme. According to a partner representative, this measure reinforced the capacities of the court of auditors to exercise democratic control for the government. In Mozambique,

trainings on budget analysis have also been carried out for members of parliament and continue to be highly appreciated by the participants. The need for qualification measures in parliament is ranked high by the ruling party and the opposition alike. Nevertheless, due to high fluctuations of the members of parliament, the parties prefer an institutionalised solution (training unit or institute) for members of parliament. A few comments from the donor side indicate that directly supporting members of parliament, as an accompanying measure to budget support, is not always easy, because from the perspective of the partner government this might be judged as being disloyal.

Both partners and donors see an added value in the combination of accompanying measures on both sides of democratic accountability. On a conceptual level, there is consensus that it makes sense to not only promote transparency of public financial management but also to strengthen the capacities of users of information on the demand side to claim more democratic accountability. Drawing from their practical experience, several interviewees described synergies in the implementation of combined measures. The simultaneous support of the court of auditors and the work in the parliamentary committees is described as a

positive example in several countries. Decisive elements for strengthening the control function of the parliament include a close linkage of the provision and use of audit reports, institutional development on both sides, as well as targeted training of committee members.

Interlocutors on both donor and partner sides remarked that, particularly in times of declining budget support, it is important to strengthen democratic control mechanisms in the partner country. In Tanzania and Mozambique, countries which are continually receiving lesser amounts of budget support while at the same time generating more of their own revenues, it is crucial that a functioning counterbalance to the executive level of government exists in order to ensure an effective and efficient allocation of budget funds in the future. Given the complexity of the budget information provided, there continues to be a need for further accompanying measures. Although the volume and quality of information has indeed improved, enormous difficulties remain in terms of access to useful information. Particularly in sensitive areas, the government does not disclose important information (like revenues drawn from activities in the sector of extractive industries).

To conclude, synergies between accompanying measures in the area of public financial management and democratic control (hypothesis 4) have been confirmed by the donor side. Accompanying measures on the supply side contribute to increasing budget transparency, while in some cases the capacities on the demand side could be increased. The complexity of the issues to be addressed continues to grow, which has led to a high demand for accompanying measures from civil society, parliament, and the media. Especially in times of declining budget support and reduced influence of donors, it is crucial to strengthen the control functions of local actors.

## 4.3

### Success factors

Under which circumstances are accompanying measures particularly effective in contributing to the objectives of

budget support? While the described mechanisms can function in all recipient countries receiving budget support and accompanying measures, their effectiveness depends on the particular context within each country such as: the political and economic conditions in the partner country, the interrelations between the different elements of budget support, the degree of coordination between donors and partners, as well as the harmonisation of interventions (compare Westhorp 2014). In this respect, budget support and accompanying measures are affected by similar contextual factors, upon which donors only have a limited influence. These factors are outlined in chapter 4.3.1.

There is a high degree of flexibility in planning, coordinating and implementing accompanying measures. Therefore, the various experiences with different aid modalities, types and leverage points of accompanying measures were assessed (chapter 4.3.2). In the following chapter, the most important context variables are considered to be success factors. These differ from country to country and in terms of their flexibility in the planning and implementation of accompanying measures. Thereby, it is important to keep in mind that several of the success factors discussed here can also be generally applied to projects and programmes of technical and financial cooperation. Nevertheless, these success factors are particularly important within the context of budget support.

#### 4.3.1 Success factors in the context of budget support

The existing interrelations between various elements of budget support have been visualised in the intervention logic of accompanying measures (figure 6) and explained (see chapter 4.2). Conditionalities, policy dialogue, and accompanying measures can contribute to reinforcing the focus on development within the partner country and to increasing the effectiveness of the financial contribution of budget support. Ideally, the various elements of the budget support package achieve a combined contribution to the objectives of budget support. However, deficiencies of individual elements can also impair the effectiveness of the whole package. The coordination between budget support donors and partner governments is extremely important for

budget support packages to reach their full potential. If accompanying measures are aligned with the priorities of the partner government, their chances of success are increased even further. According to participants of the online survey, the most important success factors for the utilisation and effectiveness of accompanying measures are related to the ownership of partner governments during the planning and implementation of development-oriented reforms, as well as the commitment of the involved institutions.

#### **Success factor: Ownership and commitment of the partners**

With regard to accompanying measures, participants of the online survey assessed the ownership and commitment of the partner governments generally positive. This applies particularly to those measures focused on modernising public financial management, especially in the area of increasing revenues. The government's interest in accompanying measures to strengthen parliamentary control, the media, and civil society is ranked lower. In some interviews, it was indicated that governments do not request support of the demand side to strengthen democratic accountability, because the government can exercise little control over these types of measures and fears the rise of opposition groups.

Ownership and commitment of the partner side are high if accompanying measures strengthen the executive branch of government in public financial management. In addition to previous evaluations, the conducted interviews, especially with the partner side, prove that the partner governments must take on the responsibility for establishing the legal framework and conditions which enable transparent public financial management. The institutions themselves show their commitment through good governance and professional management. In the National Audit Office of Tanzania and in the Ministry of Finance and Planning in Ghana (Walters, 2005: 3f), committed senior managers were able to advance institutional capacity building, due to the strong backing of their serving presidents. As not all ministries and institutions in recipient countries show the same commitment, it is important for donors to identify and strengthen reform forces.

According to their own statements, donor representatives contribute to ownership and commitment of partner institutions by aligning accompanying measures to the priorities of partner governments and by building and maintaining a relationship of trust with the partner representatives. They considered linking accompanying measures to PAF-indicators and to donor-coordinated sanctions in cases where partners have failed to achieve these pre-determined objectives to be less important (figure 17).

#### **Success factor: Alignment to priorities of the partner**

The alignment of accompanying measures to the priorities of the partner government is a central stipulation of the Paris Declaration (OECD, 2005). The online survey confirms that this alignment is an important success factor in relation to the ownership and commitment of partner governments. Accompanying measures are used most intensively in those cases where they were explicitly requested from the partner side. This functions well in public financial management, because the finance ministries of partner governments, which are responsible for the coordination of budget support and accompanying measures, have the authority and mandate to manage public finances. Therefore, these ministries can set clear priorities and track them. Conflicts of interests on the partner and donor side hamper a harmonised approach.

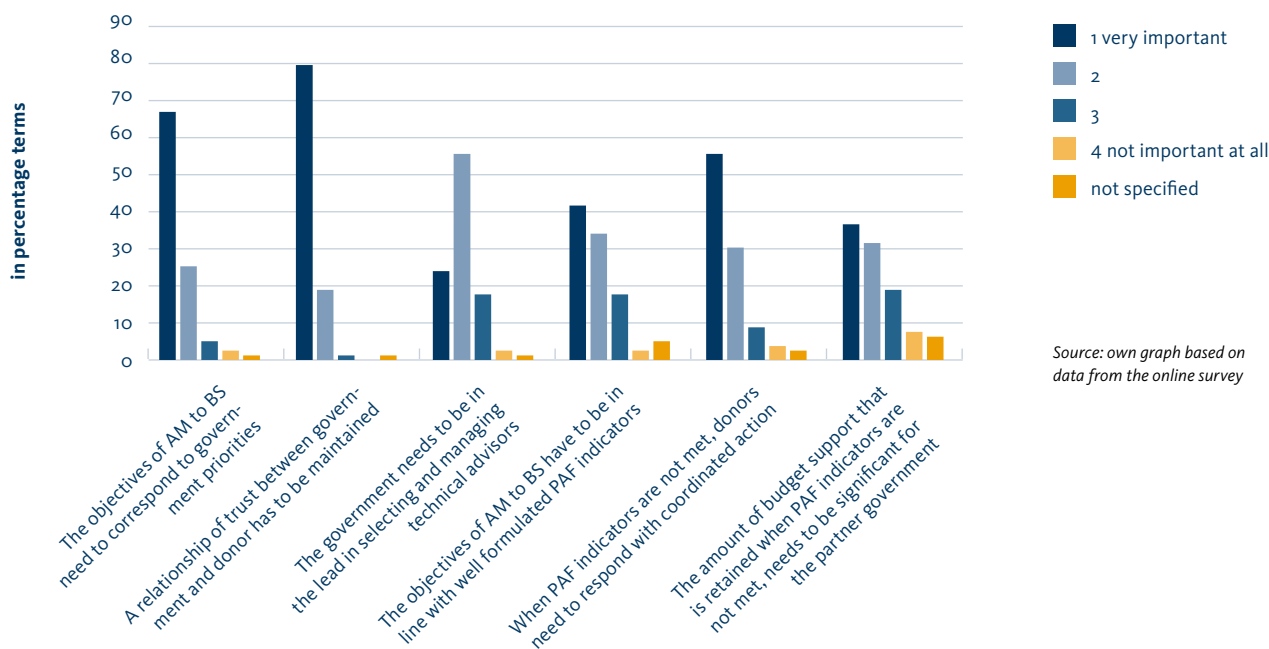
It is unlikely that the partners would demand a comparable volume of accompanying measures if the respective funds could also be made available as unearmarked budget support. In 2003, the Ghanaian government rejected the proposal of budget support donors to earmark five percent of budget support funds for accompanying measures in 2003 (Walters, 2005). One member of the Tanzanian government reported that external expertise in line with national priorities and desired qualifications would not necessarily be requested from budget support donors but rather from institutions where experts are best available at the most favourable conditions (such as from the IMF or also new donors).

At the same time, donors do not align their accompanying measures exclusively to the priorities and needs of partners,

but follow their own preferences as well, particularly in cases of bilateral technical assistance (Keijzer, 2013). In the context of budget support, donors strive to convince their own parliaments that they take fiduciary risks seriously. In addition to the measures to enhance public financial management, they also approach parliament, the media, and civil society in order to promote the demand for democratic accountability and to create a counterbalance to

the political power gained by the ruling party through the provided budget support. In terms of promoting democracy, a diversified supply of accompanying measures from various donors, each with their own ideological background, creates a “market for democracy” which strengthens transformative forces more sustainably than an harmonised support (Ziaja, 2013).

**Figure 17. Importance of the various prerequisites for enhancing ownership and commitment of the partner government**



Source: own graph based on data from the online survey

**Success factor: Relationship of trust**

According to interview statements, a steady compliance with agreements and the reliable payment of the financial contribution of budget support strengthen the relationship of trust. A few donor representatives criticised that the Underlying Principles are not always assessed in a coherent way nor are they coordinated within the donor group. This leads to irritation and a loss of trust on the side of the partner government. The research on budget support has also found enormous shortcomings in the predictability

of payments and in a harmonised interpretation of conditionalities (Faust et al., 2012; Molenaers, 2012). Studies in Zambia show that the donor group did not succeed in establishing a coherent incentive system within the scope of budget support conditionality. Taking the example of budget support in Ghana, Schmitt (2014) describes how the proliferation of indicators in the PAF – due to diverging donor interests - can endanger the relationship of trust in the policy dialogue. When assessing reform progress, Tanzanian partner representatives urged to set realistic expectations.

Moreover, they expressed the expectation that when cases of corruption are uncovered, budget support donors should not judge this as endangering their trustworthiness, but rather recognise it as indication of an apparently well-functioning control mechanism.

When donors and partners meet on an equal ground (i.e. with representatives of a similar level of competence and comparable decision-making authorities from both sides), the relationship of trust can deepen. A financial contribution to budget support alone does not automatically generate access to the policy dialogue for donors. In this context an interviewee explicitly stated: „If you want to see our auditor general, then bring your auditor general“. Particularly in the technical dialogue, donor representatives are not always sufficiently qualified to adequately discuss complex processes related to financial management in a partner country. A trustful and effective dialogue can only be achieved, if both the donor and the partner side delegate competent representatives with decision-making authority to conduct the dialogue. In both general and sector budget support, the quality of the technical dialogue hinges on the commitment of the involved development partners (Schwedersky et al., 2014). The commitment of the chair of the respective group is crucial in this respect, a position which often rotates among larger donors.

### Success factor: Coordination

Accompanying measures have the greatest chance of success if they are jointly planned and implemented based on an analysis of critical points in the budget system (see chapter 4.2). Coordination is required for this, not only between budget support donors and partner governments, but also among donor representatives. In the context of budget support, the active policy dialogue between donor representatives and the government, as well as functioning technical mechanisms of dialogue at the institutional level provide important platforms for coordination. In the Paris Declaration on Aid Effectiveness (OECD, 2005), partner countries commit themselves to autonomously coordinate all development measures. The coordination of accompanying measures from the partner side is exercised in some

countries by their respective finance ministry, as well as by other specific public financial management institutions. Tanzania's court of auditors submitted a ten-year-plan for institution building<sup>43</sup> in which improvements of the auditing infrastructure and the need for qualifying employees were mentioned, as well as options for support from donors. Representatives of the court of auditors reported that annual plans were drawn up based on this long-term strategy and are being implemented from the court of auditors' own budget, the basket fund for public financial management in the context of budget support, and support from individual donors. If a specific donor expresses interest in a cooperation, the pending needs of the court of auditors to be addressed by the interested donor will be discussed.

In addition to or in place of the coordination with the partner side, budget support donors consult among themselves more or less intensively when identifying the needs for accompanying measures and collaborating a division of labour for their provision. Thus, it is helpful to document the portfolio of accompanying measures of all donors. In Mozambique, the EU delegation took the initiative and set up an overview of all donor activities in the area of public financial management. In partner countries with a large number of budget support donors, the coordination of accompanying measures is not conducted within the donor group as a whole, but in a subgroup of particularly active members (as for example in Mozambique). Moreover, there is the danger that the donor group might split up in several fractions (for example in Uganda) due to disagreements resulting from conflicting instructions coming from their respective headquarters. In several countries, donor representatives remarked that the coordination on site can only be as good as the agreement between the ministries of the involved donor countries. Problems often originate from different priorities of donor headquarters.

Within German DC, the process of planning, implementing, and monitoring accompanying measures provides opportunities to exert influence, and hence improve coordination. This is even more important if the donor group does not act together in a coordinated way. In Mozambique, as well

<sup>43</sup> *The Supreme Audit Institution Development Initiative – SAIDI. A 10 year Vision for the cooperation of development partners and GoT in support of NAO's development (Republic of Tanzania, 2012) Lawson et al. (2014: 70ff)]. Der Nutzen der variablen Tranchen liegt eher aufseiten der Geber, da sie als innenpolitisches Signal eingesetzt werden können und es dem Geber ermöglichen, flexibel auf Governanceprobleme im Partnerland zu reagieren.*



as in Tanzania, long-term consultants financed by GIZ for the court of auditors and the financial authorities receive information on reform progress, which could be used in the technical dialogue for basket funds regarding public financial management. However, only KfW is represented in this technical dialogue. The coordination among German actors in the context of budget support was not systematically evaluated, but interviews with representatives from KfW and GIZ indicate that such synergy effects have only been tapped selectively (BMZ, 2008a). One reason for this is that GIZ-representatives do not regard their own measures to promote public financial management, for fiscal decentralisation, and for democratic accountability to be accompanying measures in all countries receiving German budget support. They often also do not have access to dialogue platforms. In such a situation, the degree of coordination of German accompanying measures depends on the commitment of the local BMZ-delegation (HoC at the German Embassy or development consultants).

### 4.3.2 Success factors for design and implementation of accompanying measures

German accompanying measures differ depending on their aid modality, type of measures,<sup>44</sup> and thematic areas which are to be addressed. Experiences in designing accompanying measures have been collected in the online survey and interviews. At the same time, general findings on success factors of technical cooperation and capacity development, which also apply to accompanying measures to budget support, have been taken into account.

#### Aid modalities

As described in chapter 2, the allocation of accompanying measures to budget support is generally divided into joint-donor basket funds and measures of individual donors. Basket funds are not necessarily earmarked for specific thematic areas. They can provide funds for capacity building and technical cooperation, support reform programmes of the entire system of public financial management (for example Tanzania's Public Finance Management Reform

Programme, PFMRP), or strengthen the capacity of individual institutions (for example the court of auditors). Another type of basket fund is less specific, for instance the Technical Advisory Support Unit (TASU) in Uganda managed by the World Bank. According to information of budget support experts, this kind of basket fund works better if it is managed by the partner government. While this has not been observed in Uganda, there are positive examples to be found in middle-income countries, e.g. South Africa, where accompanying measures are strongly demanded in the context of sector budget support (Caputo et al., 2013). In middle-income countries, the partner government disposes of the administrative capacities to plan and control accompanying measures; at the same time, it is easier to recruit experts from the national labour market in better developed economies.

Some donors of budget support tender for individual accompanying measures, such as training or consultancy programmes; other donors implement the measures on their own. Interviewees pointed out that countries with their own implementing agencies (e.g. Belgium and Germany) have an incentive to use these structures and prefer them to joint-donor coordinated approaches (see also Faust and Koch, 2014). In German DC, accompanying measures of KfW almost always consist of contributions to basket funds, whereas GIZ implements accompanying measures themselves, partially with co-financing from one or several other donors. The different approaches of the two implementing agencies imply a conflict of objectives that can only be resolved through the close coordination of accompanying measures of GIZ and donor-harmonised basket funds of KfW.

In their technical dialogue, partner and donor representatives decide jointly on the specific use of the funds from a basket. Given the fact that the partner side can have the greatest influence on the use of funds from basket funds, this type of funding comes closest to the basic principles of budget support. In interviews, partner representatives stated their preference for basket funds with regard to the

<sup>44</sup> The provision of technical personnel is regarded to be little demand-oriented. Partners accept international experts as a free human resource that hardly incurs additional costs or they consider them to be the price they have to pay in order to receive other material benefits connected with the personnel. In addition to their actual roles of providing technical consultation and training, international experts often close staff gaps in partner institutions and take over management roles that can aggravate sustainable personnel planning. At the same time, donors use the personnel paid by them to receive information about their national employer and to influence decisions (Land, 2007).

allocation of accompanying measures. For the DEval-evaluation '30 years of Rwandan-German development cooperation in the health sector' synergy effects resulting from the linkage of sector budget support with a basket fund were outlined (Schwedersky et al., 2014). The advantages and disadvantages of basket funds are summarised in box 8.

#### **Box 8. Advantages and disadvantages of basket funds**

Compared to individual projects, baskets are considered to be an aid modality that is especially well coordinated, harmonised, and aligned to the priorities of partners, as well as to utilising country systems. This facilitates a strong sense of ownership among partner countries (Maesschalck et al., 2014: 12). With basket funds, donors pool their financial contributions, thus reducing the individual fiduciary risk for large and long-term investments. Furthermore, donors contribute different competencies to basket steering and management activities and exchange monitoring results. According to the findings of the interviews, the question of how well this functions in practice depends on whether a good reform strategy exists and is responsibly implemented by the government. With the number of donor representatives, the challenge grows for the chair of the group to bring about decisions shared by all representatives. Thus, the technical dialogue is described to be relatively time-consuming and can only be held at a professional level by well-staffed donors. Compared to an individual donor representative, a well-coordinated working group can bring forward concerns raised during the technical dialogue with greater weight in the high-level policy dialogue and can influence higher levels of decision-making (OECD, 2006: 72). In dialogue procedures for basket funds, which support public financial management in a cross-institutional way as a whole, an adequate sequencing of reforms can be taken into account (de Renzio, 2006: 633). These positive effects are more likely when partners take over steering responsibilities and this is accepted by the donors. Initially, the transaction costs for the alignment in basket funds rise for both donors and

partners. These transaction costs are likely to reduce only in the medium-term (Pech, 2010: 51ff).

Donor representatives criticise the fact that coordination within the technical dialogue is very time-consuming. Basket funds as an instrument are not necessarily suitable for reacting to newly emerging political developments and short-term needs (Lawson, 2014). In an interview, it was critically remarked that decisions often correspond to the lowest level of agreement. Donor representatives reported that in order to be able to develop and test innovative approaches, they finance their own individual accompanying measures in addition to their contribution to a basket fund. The low visibility of the contribution of individual donors to basket funds is considered to be another disadvantage. From a donor's perspective, individual accompanying measures also provide more creative leeway than basket funds, for instance with respect to project duration. According to long-term GIZ-consultants, a long-term bilateral cooperation with institutions in the partner country is more likely to lead to the development of a relationship of trust than a basket fund with several donors.

#### **Types of accompanying measures**

Prior to the onset of budget support, the supply-oriented placement of international technical personnel was a formative element of bilateral development cooperation. Within the context of budget support, technical personnel continues to be provided through accompanying measures. Therefore, when allocating accompanying measures, the difficulties related to this type of measure, should be considered. These difficulties are documented in detail in the literature.

With regard to the possible functions of technical consultants (Land, 2007: 11ff) working in the context of budget support, the focus is generally on technical consultancy and capacity building. However, donors also benefit from the observer role and the influence which especially long-term

consultants can have on the implementation of reforms. This depends on a certain level of trust from the partner institution (compare chapter 4.2). However, the basic principles of budget support can be undermined, when external personnel only fill existing vacancies and take over management tasks within the partner institutions. Success factors for the provision of long-term experts are summarised in box 9.

#### **Box 9. Success factors for the placement of long-term experts**

During the last two decades, the finance ministries, as well as some subordinate authorities in the countries receiving budget support, have successfully attracted qualified personnel as managers. These professionals have often been educated at elite universities and have already gained work experience in international organisations. Even though this leadership circle is still small, only proven experts are accepted as international long-term consultants. National managers emphasise that external consultants should not only bring high technical skills, but also experience with the procedures and political processes of the partner country, fluent language skills in the local language, and professional intercultural competencies. Partner representatives in Tanzania stated their preference for national or regional experts. Interview partners from other countries point to the benefits of international experts in terms of independence and potential innovation. In order to ensure the best possible fulfilment of the specific requirements, the partner side should play a central role in the selection of consultants (Keijzer, 2013). Representatives of partner institutions emphasised that consultants should stay longer than two years to enable an effective contribution following their initial integration within the institution.

According to statements of partner representatives and current or former consultants, the acceptance of long-term consultants essentially depends on the relationship of trust they can establish in the institution where they work. To avoid conflicts of loyalty, consultants should be

directly subordinated to managers in the partner institution and - in the context of basket funds - only report to the donor institution or the working group for the technical dialogue in agreement with their managers within the partner institution (see also Land, 2007).

German accompanying measures include consultancy services, trainings, organisational development, studies and analyses, as well as the procurement of equipment, including IT-systems. The answer to the question which types of interventions are more promising, depends on the individual situation and the problem area to be addressed. Some needs and preferences stated in the online survey refer to several countries. According to the statement of participants of the online survey and numerous partner representatives, there is a need for the establishment of independent institutions for the analysis of public finances in many countries. Managers from institutions of public financial management and consultants, who have been, or still are in positions within these institutions, mentioned that there is a large need for training in medium-level management in their respective institutions.

Partner representatives describe the work of short-term trainers as not very sustainable, which is why they should be limited to covering only very specific needs. In one interview, positive experiences with a long-term coaching programme were reported, in which a European expert provided short term consultancy services at regular intervals over a period of three years. The expert also accompanied the implementation of agreed steps via telephone and internet. In addition to receiving conventional trainings offered by external trainers at the institution, the managers of partner institutions also appreciated the opportunity to send employees for several months to the World Bank or to the IMF. These employees were able to acquire competencies in these international organisations and incorporate them in their own institution upon return. Other reports described good experiences with Twinning-Programmes between institutions in the donor and partner country. In such a programme, for example, employees of the court of

auditors in the donor country regularly advise the court of auditors in the partner country; in turn, the partner country sends its employees to the court of auditors in the donor country for training. Another example is when GIZ invited members of the Tanzanian budget audit committee to Germany, where they exchanged information and experiences with their colleagues in the German Parliament. According to statements of interview partners, such measures facilitate a coming together on equal ground and promote a trustful relationship from both sides.

#### **Starting points of accompanying measures**

Based on a systemic analysis, it must be decided in the respective context of each country, which weaknesses in the budget system will be addressed by accompanying measures. In the evaluated countries, the focus of accompanying measures is currently on the area of public financial management. Strengthening its functionality facilitates positive effects for the entire system of development financing in the partner country. At the same time, a simultaneous promotion of the supply and demand side of accountability can ensure sustainable improvements of transparency (see chapter 4.2). Comparable synergies are also likely to happen

between accompanying measures for the qualification of development policies and for the improvement of budget planning, if they contribute to improvements in the formulation of demands in development-relevant sectors and thereby, increase efficiency in the allocation of the budget.

Budget support and accompanying measures contributed to strengthening country systems on a central level. However, according to partner representatives from various countries, there are great deficiencies at the decentral level, for example, with regards to local accountability. These statements correspond with the assessments of different budget support evaluations (Lawson et al., 2013; Lister, 2006). Qualification processes in public financial management and donor coordination in the context of general and sector budget support generally provide good starting points for addressing issues related to decentralisation (Barbe, 2012). A more detailed analysis is required to answer the question of why accompanying measures have been less successful in strengthening regional authorities. The budget support experts interviewed see a great need for future accompanying measures in this area.



5.

## CONCLUSIONS AND RECOMMENDATIONS

The following recommendations refer to a situation when Germany provided general budget support to low-income countries in Sub-Saharan Africa. In the period of 2003-2013, German general budget support programmes were implemented in nine Sub-Saharan African countries, of which three are ongoing. The majority of the nine recipients of German budget support have received and are still receiving general budget support from the EU and other bi- and multilateral donors. The volume of general budget support of German DC, as well as of other European bilateral donors, has on the whole declined during the last years. In contrast, a significant increase of sector budget support has been observed for the year 2014. However, the design of this type of budget support differs substantially from the design of general budget support that has been provided over the last decade.<sup>45</sup> Whether this will become a new trend in the medium-term cannot be discerned at this point in time. Chapter 6 addresses the question to what extent the results, conclusions, and recommendations of the present evaluation are relevant for new budget support contexts.

The importance of accompanying measures has increased in German DC. The volume of accompanying measures has increased in the past years, both in absolute terms and with respect to the financial contributions of budget support. The shift from budget support to accompanying measures can be partially explained by the fact that, after certain breaches of the Underlying Principles of budget support (for example in Malawi and Uganda), the funds originally earmarked for budget support were used for accompanying measures.

Accompanying measures are relevant for budget support. They address the problem areas of budget support systems and, by strengthening well-functioning and meritocratic state structures, they directly contribute to the objective of good governance, and indirectly help to achieve the objective of poverty reduction. From the donors' perspective, the focus of the instrument of general budget support has shifted from the financing objective to the governance objective during the last years. Hence, the support of cross-sectoral, economic, and institutional reforms has become more important through the implementation of budget support and

its accompanying measures. Even if accompanying measures are generally implemented to address all relevant problem areas, discrepancies exist between the severity of a problem and how it is addressed by accompanying measures. This can be particularly observed in the areas of budget implementation (which is under-addressed) and the formulation of development policies (which is over-addressed). Moreover, up to now accompanying measures have been targeted towards a centralised level of government, so that local capacities at a decentral level are still weak in many places. The thematic focus of accompanying measures has been on the area of public financial management. From the budget support donors' point of view, in doing so, fiduciary risks can be reduced immediately, while the partner countries benefit from improved public financial management. Even if the system of public financial management is fully functional, it is just an instrument for budget implementation. Therefore, it makes sense to implement accompanying measures which strengthen the formulation and implementation of development policies in order to influence a poverty-oriented use of funds. Accompanying measures aimed at promoting democratic control can contribute to increasing the efficiency of budget allocation and to ensuring that the interests of a vast majority of the population are reflected in the budget. Above that, they can counterbalance the concentrated power of the government, which is expanded by the provision of external budget support. They reduce not only the fiduciary, but also the political risks associated with the allocation of budget support.

From the evaluation it can be concluded not only that a number of interrelations exist between the individual elements of budget support but also that the implementation of accompanying measures has an added value for the effectiveness of budget support. This added value primarily evolves from the interrelations with policy dialogue. Accompanying measures provide important information about the weaknesses in the budget support system, which influences policy dialogue on different levels. Moreover, the experience gained by implementing accompanying measures improves the professional expertise of donor representatives and thereby facilitates a better dialogue. Many donors use the

<sup>45</sup> This is related to market fund loans intended to support sector reform programmes in middle-income-countries in Asia and Latin America. The differences include the instrument itself (grant vs. loan to market conditions), the capacities of the recipient countries (e.g. Mexico vs. Burkina Faso), the importance of donor contributions (e.g. share of the national budget) and the objective of the instrument (poverty reduction and public financial management in Sub-Saharan Africa vs. sector reforms e.g. in the water sector).



information from policy dialogue about weaknesses in the system to apply their respective accompanying measures in a more targeted manner to the identified problem areas. However, there are still major challenges concerning the coordination of accompanying measures. Policy dialogue is not being used systematically to coordinate the planning and implementation of accompanying measures.

The hypothesised relation between the financial elements of budget support and the effectiveness of accompanying measures has been generally confirmed by the interviewed donors and the online survey. Measures imbedded in the context of budget support receive more political backing and are protected against risks due to the Underlying Principles. Although the general financial incentive has been confirmed, demand for accompanying measures is limited to the area of public financial management. In other areas, the majority of accompanying measures are supply-driven. Synergies between accompanying measures in the areas of public financial management and democratic control have been confirmed by the donor side. Accompanying measures contribute to a rise in budget transparency on the supply side and in some cases to increased capacities on the demand side. Given the growing complexity of the issues of public financial management, civil society, parliament, and the media must continuously extend their expertise. In times of declining budget support and the reduced influence of donors it is important to strengthen the control function of local actors.

Budget support and accompanying measures are influenced by similar contextual factors upon which donors only have limited influence. However, there is a high degree of flexibility regarding the planning, coordination, and implementation of accompanying measures. Ownership and commitment of the partner government are crucial factors of success. These factors are highly present for accompanying measures aimed at strengthening public financial management, since donor interests in this area most clearly correspond to the priorities of their partners. In other thematic areas, the ownership of partner governments is lower and the alignment and harmonisation among donors does not work as well. The relationship of trust between partners and donors depends

on how reliable they comply with agreements, the predictability of budget support disbursements, and a coherent assessment of the Underlying Principles and PAF. Moreover, a comparable level of competence among donor and partner representatives in policy dialogue promotes a trustful relationship. Close cooperation of donors and partners, not only within the donor group, but also among German implementing agencies, is an important prerequisite for needs-based planning and implementation of accompanying measures. Coordination works best in active sector working groups of technical dialogue with a professional chair.

## 5.1

### Accompanying measures as an integral part of the budget support package

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By directly strengthening the country systems in critical areas, and through their positive influence on policy dialogue, accompanying measures can increase the effectiveness of budget support. Moreover, they facilitate a greater acceptance of the aid instrument in the increasingly critical parliaments of many donor countries by contributing to the reduction of fiduciary risks associated with budget support.

In the German budget support guidelines (BMZ 2008), the role of accompanying measures to budget support has not been defined. Such a definition could be helpful to guide decisions on the type, extent, and thematic focus of accompanying measures, as well as in which countries these measures should be planned and implemented.

If accompanying measures are not implemented at the same time (or earlier) as the disbursement of the financial contribution of budget support, their contribution to the objectives of budget support is reduced. If budget support payments are suspended or terminated, the interdependency of the effects expected from accompanying measures also changes. In these cases the interrelations between the different elements of the budget support package, as they have been observed in this evaluation, do not occur or they occur only to a very limited extent.



**Recommendation 1 (BMZ):** The financial contribution of budget support should continue to be flanked with accompanying measures. The role of accompanying measures should be clearly defined and they should be given greater consideration when revising the BMZ guidelines on budget support. Implementing accompanying measures should begin at the latest with the disbursement of the financial contribution and continue for the entire period of granting budget support.

### Scope of accompanying measures

The basic principle of budget support has been to provide funds that are not earmarked. The implementation of accompanying measures as part of the budget support package partially reverses this principle. According to findings of previous budget support evaluations, the effectiveness of the instrument of budget support decreases when the principles of budget support are not consequently implemented. Accompanying measures can address certain weaknesses in the country system and improve conditions for the allocation of general budget support, but they alone cannot compensate for fundamental deficiencies. In order to prevent undermining the instrument of general budget support through a gradual return to project aid in the form of accompanying measures, it is necessary to maintain an adequate ratio of accompanying measures to budget support. The need for accompanying measures differs from country to country, hence, fixed provisions for the ratio of budget support to accompanying measures are not recommended. In general, the weaker the state structures are within the partner country, the higher the need is for accompanying measures in relation to the financial contribution of budget support.

**Recommendation 2 (BMZ):** The financial contribution of budget support to a partner country should be considerably higher than the volume of accompanying measures. The ratio of accompanying measures to budget support should be aligned in a flexible way to reflect the requirements of the respective partner country: countries with weaker state-administrative structures should receive a higher volume of accompanying measures.

## 5.2

### Thematic areas for accompanying measures

Currently, donors mainly use accompanying measures to strengthen public financial management in order to reduce fiduciary risks from the start – especially the risk of potential misappropriation. In order for budget support funds to have the best possible impact, they need to be channelled towards poverty-reducing purposes and implemented without trickle down losses. As the allocation of funds is generally more poverty-oriented within the context of budget support, it cannot be improved by singularly implementing accompanying measures to strengthen public financial management. Improvements require a functioning interplay between good development planning and implementation, not only with public financial management institutions, but also with democratic control. The past has shown that the problem of misallocation to areas that are not a priority for reducing poverty, threatens the effectiveness of budget support at least as much as misappropriation. The choice of where to apply accompanying measures is largely driven by the donors' motivation to reduce fiduciary risks. This could imply the risk of missing the ideal contribution for increasing the effectiveness of budget support.

**Recommendation 3 (BMZ):** In order to increase the effectiveness of budget support by means of accompanying measures, the planning of accompanying measures should be aligned to the actual systemic weaknesses. At the same time, the focus should not necessarily be on the immediate reduction of fiduciary risks.

Functioning public financial management is crucial for the effectiveness of general budget support as budget support depends on the country systems. Donors of accompanying measures use this to engage in a dialogue with the partner government about their public financial management as a whole. This is reflected by the fact that accompanying measures focus on this area. Accompanying measures, which modernise public financial management and thereby strengthen the partner systems, contribute not only directly to the budget support objective of good governance, but also indirectly to the objective of poverty reduction.

Moreover, they contribute to reducing fiduciary risks. Successes in strengthening public financial management can already be observed, particularly at a central level. Deficiencies are still mainly found at sectoral and decentral levels.

**Recommendation 4 (BMZ):** Accompanying measures should continue to be focused on the area of public financial management. At the same time, more consideration should be given to the interrelated thematic areas of improving development policy and promoting democratic control, as well as to sector and decentral levels.

In line with the well-known ‘implementation gap’, shortcomings in budget implementation are perceived to be especially problematic in most budget support receiving countries. At the same time, accompanying measures address this area only to a limited extent. One main reason for this is that budget implementation is a central state function of the partner, upon which donors only have limited influence. Moreover, bilateral donors have difficulties finding appropriate experts for the consultancy needs in the area of budget implementation. In theory, planning and implementation of the national budget consist of different steps in the budget cycle, but in practice, they overlap in time and content. In the budget cycle, deficiencies which occur during budget implementation partially result from shortcomings in the previous budget planning process, upon which donors could have a better influence. However, the aim is not to establish a complete budget according to technical criteria, but to design a precise and substantial plan based on a realistic estimation of revenues.

**Recommendation 5 (BMZ, GIZ, KfW):** Before planning accompanying measures, the entire budget process should be examined for weaknesses, from the budget preparation to the implementation of the budget. In countries where the problem of poor budget implementation partly traces back to insufficient budget planning, an improvement of budget planning can be the first step. At the same time, starting points for the support of budget implementation should be identified.

In the past years, budget support and accompanying measures contributed to increased budget transparency. In some countries, however, there is still too little information available to hold the governments accountable, especially with regard to budget implementation. At the same time, on the demand side of accountability (parliament, civil society, and the media) the capacities are insufficient for independent analysis, preparation, and use of available budget information. It is necessary that institutions of democratic control provide continuous analyses and commentaries on budget information so that increased transparency will actually lead to improved budget implementation.

**Recommendation 6 (BMZ, GIZ, KfW):** Measures which lead to higher transparency of budget implementation should be increasingly implemented. In order to ensure the best possible use of the information provided, there should be parallel measures to increase capacities on the demand side. To better prepare and distribute information, it could be useful for some partner countries to build additional capacities for independent analyses or to better qualify existing capacities.

### Democratic control

Given the observed decline in the allocation of budget support in many countries, the influence of donors and their ability to keep track of poverty reduction and of budget expenditures are diminishing. The accountability of the partner government towards local actors, as well as towards state and non-state actors and institutions (such as the court of auditors, parliamentary committees, non-governmental organisations, research institutes, the media) gains importance in such situations and has to be demanded by these actors. This especially applies to countries with increasing revenues, as for example those drawn from extractive industries. Due to increased risks of corruption, a counterbalance to the executive level of government can be maintained by strengthening local actors of domestic accountability even though the influence of budget support donors decreases.

**Recommendation 7 (BMZ, GIZ, KfW):** Particularly in countries where revenues are expected to be increasingly drawn from extractive industries in the near future, accompanying measures should be used to reinforce state and non-state actors, as well as institutions of democratic control, in their endeavour to demand accountability from the government.

### 5.3 Implementation of accompanying measures

#### Basket funds

Most of the accompanying measures of KfW are implemented as financial contributions to basket funds to support a certain institution or a cross-institutional reform programme. Although GIZ normally implements accompanying measures themselves, by means of programmes of technical cooperation, they also sometimes make contributions to basket funds.

Whether basket funding is recommended or not depends on various factors, such as the thematic area or the number of active donors. The instrument of basket funds (in comparison to a large number of individual projects) involves a high degree of coordination through which the efficiency of the cooperation also increases. Basket funds work especially well whenever there is a high degree of common interests between partners and donors (as well as among donors) and when the partner country takes the responsibility for implementing a good strategy. These requirements are often met in the area of public financial management. Donors generally aim at reducing fiduciary risks and prefer objectives to be technical and easy to operationalise. The interests of the donors often correspond with the ones of the partners at least in the sub-areas of public financial management. Given the high degree of common interests and the potentially high gains in efficiency through improved coordination, basket funds generally are a good option to strengthen public financial management. As basket funds are financed by several donors, they provide advantages when it comes to financing development tasks involving high investment needs, long-term commitment, and high implementation risks.

**Recommendation 8 (BMZ, GIZ, KfW):** When planning accompanying measures to strengthen public financial management, basket funds should be considered first. If the needs and requirements for successful basket funding are met, this should be the preferred option.

However, with regard to supporting democratic accountability in cooperation with actors outside the executive level of government, there are good reasons for a more pluralistic donor approach. Indeed, the support of democratic accountability benefits from social and political pluralism and promotes democratic participation more effectively, the more diverse the approaches of the donors. Moreover, donor interests vary widely in this thematic area, due to different ideological influences.

**Recommendation 9 (all donors):** In order to promote diversity of opinion and pluralism, accompanying measures can be used individually to support various civil society groups, including smaller ones, to achieve democratic control outside the executive level of government. However, these groups must be deeply rooted in the society of the partner country and committed to the basic rules of the democratic rule of law. Nevertheless, if several donors support the same institution of democratic control, for example a larger civil society organisation or a parliamentary committee, this support should also be coordinated.

#### Coordination

The coordination of accompanying measures between partners and donors, as well as among donors, is in many ways not adequate. Policy dialogue is not used systematically in order to coordinate the planning and implementation of accompanying measures.

**Recommendation 10 (all donors):** Policy dialogue should be used to a greater extent to identify the needs for assistance together with the partners, and to coordinate accompanying measures within the donor group.

When the work of BMZ, GIZ, and KfW is coordinated, an added value emerges for the entire package of budget support. Up to now, the coordination between GIZ and

KfW with respect to accompanying measures has taken place only selectively and non-systematically. This also results from the fact that the measures of GIZ classified as ‘accompanying measures’ in this evaluation, predominately pursue individual objectives and are not primarily aligned to the objectives of budget support. These measures were often initiated before the introduction of budget support or continue after budget support has been withdrawn. Therefore, they are presented by GIZ to be independent measures from budget support. Nevertheless, interdependencies between these accompanying measures and budget support are also acknowledged by GIZ. These synergies are conceived as side effects rather than intended impacts. Due to weaknesses in the coordination between KfW and GIZ, neither possible synergies between accompanying measures of German DC, nor opportunities for the flow of information into the policy dialogue are currently being realised to their full potential.

**Recommendation 11 (BMZ, GIZ, KfW):** In order to take advantage of synergies within German DC, the entire process of planning, implementing, and monitoring of current and planned accompanying measures should be conducted in close coordination between BMZ, GIZ, and KfW. Representation within the various bodies involved in policy dialogue should be based on prior agreement and a division of responsibilities.

## 5.4

### Accompanying measures in future budget support evaluations

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Most of the evaluations for budget support consider accompanying measures only marginally, despite their increasing importance within the budget support package in recent years. The findings gathered in this study regarding the effectiveness of accompanying measures and their potential for increasing the effectiveness of budget support can be incorporated into the programme theory and thus be considered in future evaluations.

**Recommendation 12 (BMZ, EC, all donors):** In future multi-donor evaluations of budget support, the contribution of accompanying measures, i.e. the measures explicitly designed as accompanying measures, as well as the accompanying measures in a broader sense, should receive more attention.



6.

OUTLOOK



**T**he findings of this evaluation refer to the allocation of general budget support to low-income countries with weak state capacities in Sub-Saharan Africa. Between 2003 and 2013, 79 percent of German general budget support was allocated to this region. As described in the beginning of this report, the instrument of budget support is politically controversial and in a process of change, both in German and international DC. Hence, the results of this evaluation should be considered in view of current developments in international budget support.

### **Decline of general budget support in the portfolios of bilateral donors**

During and after the evaluation period, the importance of general budget support in the portfolios of bilateral donors, as well as their share in the partner countries' national budgets in Sub-Saharan Africa, have continuously declined. The reduction of German commitments to general budget support can, among other aspects, be attributed to the German Federal Government's position to only grant budget support to selected countries that are subjected to strict entry criteria and continuous reviewing. Moreover, the Underlying Principles and thus the prerequisites for allocating general budget support are no longer fulfilled in many partner countries of the region. Nevertheless, Germany, as the most important contributor to the EU, still provides budget support through the programmes of the European Commission.

In view of decreasing contributions to general budget support, concerns arise regarding the future relevance of accompanying measures. From the donors' perspective, the need to use accompanying measures to reduce fiduciary risks of budget support diminishes with decreasing budget support. However, from a developmental perspective, accompanying measures remain relevant. Even with decreasing budget support contributions and increasing revenues of recipient countries, accompanying measures strengthen important areas and institutions of the country systems. In the course of decreasing budget support allocations, relevance can even increase when the donors' influence on domestic policies diminishes and local actors in the partner country assume more responsibility for this control function.

This applies to countries such as Mozambique and Tanzania, which expect significant revenues from extractive industries and aim to prevent potential negative consequences of this wealth of resources.

### **From general to sector budget support**

Currently, both bilateral donors, as well as the EU, appear to be moving away from general budget support towards more sector budget support. Currently, the largest share of budget support commitments by the European Commission are granted to Sector Development Contracts, while the instrument of general budget support - Good Governance and Development Contracts - is only used reluctantly. Beyond the focus of this evaluation, accompanying measures are also relevant for sector budget support programmes. Their effectiveness also depends on the quality of the country systems. On the partner side, a high demand for accompanying measures with a clearly defined profile was also observed for sector budget support (Caputo et al., 2013; Lawson, 2014). Similar to general budget support, sector budget support programs are agreed upon by the finance ministry of the partner country. However, the focus on one particular sector seems to limit donors' influence on the central institutions of public financial management and on overall reform processes. Nevertheless, accompanying measures to sector budget support also serve to mitigate fiduciary and political risks and to strengthen capacities in specific sectors.

### **Accompanying measures and different levels of statehood**

Since 2012, the European Commission has allocated general budget support to fragile states using a new instrument called State Building Contracts. In the context of fragile states, where establishing well-functioning administrative structures plays a pivotal role, accompanying measures can make an important contribution. Furthermore, accompanying measures can be used to strengthen the capacities in potential future budget support recipient countries or to prepare their public financial management for a possible (re-)launch of sector or general budget support.

Independently of the relevance of accompanying measures, the question of how they should be organised and applied still remains. For the cooperation with fragile states, as well

as for the preparation for the (re-)launch of budget support, an option would be to tailor accompanying measures to the requirements of donors and increase the visibility of efforts made towards reducing fiduciary and political risks associated with budget support. This does not rule out that accompanying measures address identified weaknesses in the partner country's system in order to contribute to improving the system directly and to increase the effectiveness of budget support. However, countries with better elaborated administrative structures, as well as an active demand for certain accompanying measures, should be provided with non-earmarked funds to implement these measures autonomously.

#### **Reference points for future evaluations**

The obtained results can be used for further evaluations in terms of methodology and content. The reconstructed theory of change of accompanying measures, particularly the interrelations with other elements of budget support, can be used to expand the intervention logic of the European

Commission and to better understand the contribution of accompanying measures in future evaluations. A sequenced approach comprising partial evaluations could help to counteract the tendency to overload the very comprehensive evaluation framework currently being used (Lawson, 2015). Concerning the content of future evaluations, various reference points emerge:

- Accompanying measures of other types of budget support, or within the context of other countries (such as sector budget support in middle-income countries), could be evaluated.
- From the perspective of DC in the three thematic areas (public financial management, development policy, and democratic control), it could be analysed how bilateral phasing out of (general) budget support and the resulting exclusion from policy dialogue affects not only technical and financial cooperation in these three areas, but also the different aid modalities in the respective country.



# 7.

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8.

ANNEX

## 8.1 Methodological approach for the portfolio analysis

The analysis provides an overview about the German portfolio of accompanying measures in the context of general budget support. Until now, a generally acknowledged definition of accompanying measures does not exist and there is not an identification code in statistical data bases about aid flows similar to the Creditor Reporting System of the OECD-DAC. For the portfolio analysis a database of the complete range of accompanying measures was established. Additionally a definition for accompanying measures was developed, interventions to which this definition applies were identified, data about the volume of identified measures were collected, and measures categorised.

1. **Definition:** Accompanying measures of German DC include all interventions of financial and technical cooperation which overlap in time with the allocation of general budget support and which can contribute to the effectiveness of general budget support due to interdependencies. Three layers of accompanying measures are distinguished:
  - a.) **Accompanying measures of the first layer** are measures described in the programme document together with budget support and designed and labelled explicitly as 'Begleitmaßnahmen der Budgethilfe'. They are exclusively programmes of financial cooperation.
  - b.) **Accompanying measures of the second layer** are independent measures of technical cooperation, which are related to budget support in their practical implementation. They can contribute to the effectiveness of general budget support due to interdependencies.
  - c.) **Accompanying measures of the third layer** are measures of which only individual components are relevant for budget support. Among them are decentralisation programmes or initiatives in the area of natural resource governance. Accompanying measures of the third layer were not incorporated in the portfolio
2. **Identification:** First layer measures can clearly and easily be identified by taking a look at the programme documents of budget support (compare table 5). The allocation of accompanying measures to layer 2 and 3 is more complicated and depends on interdependencies in the practical implementation of the measures. These interdependencies are not always clearly highlighted in the programme documents. Hence, in a discursive process with the responsible country manager of the BMZ and finally with the country directors of GIZ it had to be clarified which TC measures are primarily related to budget support and which only to a small extent. This clarification process was based on a list of measures that refer to budget support in their programme documents (programme proposals or others). A tabular overview of all accompanying measures collected according to this definition can be found in table 6 (annex 8.2). In the portfolio analysis, only measures of the first two layers are taken into account as they are fully relevant for the effectiveness of budget support. Accompanying measures of the third layer are not included, because its total volume cannot be divided into budget support relevant and budget support irrelevant components on the basis of the available data. Therefore, a complete consideration would have led to a substantial distortion of the results. Selected examples of accompanying measures of other donors are mentioned in chapter 2.2.
3. **Data collection:** In the next step, relevant data about accompanying measures and financial contributions to budget support were collected from various documents. The analysis of German accompanying measures and the German contributions to budget support is based on data about commitments retrieved from the respective programme documents. Data about actual disbursements, especially in terms of accompanying measures, are only available to a limited extent. A comparison of disbursements with the commitments for accompanying measures indicates that they largely correspond, so that the chosen approach can give a meaningful picture.<sup>46</sup>

analysis, but were given consideration in the two short missions to Mozambique and Tanzania.

<sup>46</sup> Concerning the allocation of general budget support, in practice, delays of disbursements or even permanent withholding of committed budget support funds occur time and again, mostly due to irregularities in partner countries such as political upheavals or corruption allegations. At times, actual disbursements exceed the amount of budget support funds originally committed. In contrast, the discrepancy between commitments and disbursements in terms of accompanying measures seems to be small. For the portfolio of accompanying measures of KfW, DEval has received the annual disbursement data allowing a comparison with the committed volumes. Apart from a few exceptions, including especially one accompanying measure in Malawi, which could only be implemented with a considerable delay in time, the disbursements correspond with the committed amounts. Therefore, it is uncritical to take the data for commitments of accompanying measures as a basis for the portfolio analysis.



Accompanying measures have only been taken into account in the portfolio analysis during the period in which German budget support has actually been provided in the respective country. Otherwise, the measures cannot be considered to be 'accompanying'. Measures that continued after the considered periods, are proportionally taken into account. The beginning of German budget support is defined as the year when the first German budget support commitment was made according to CRS-OECD-DAC.

The end of the considered period depends on the year, in which budget support was suspended according to press releases of BMZ, or when it was phased-out. If German budget support was provided beyond 2013 or is still being provided, the measure is considered until the end of the evaluation period in the year 2013 (table 4). Measures for which implementation started after the termination of budget support or after 2013 are not taken into account.

**Table 4. Considered periods for the portfolio analysis according to recipient country**

	from (year, for which the first German budget support commitment was made according to CRS OECD-DAC ; earliest date 2003)	to (2013 or the year, in which the German budget support was suspended or phased-out according to the BMZ press release; latest date 2013)
Burkina Faso	2007	2013*
Ghana	2004	2013*
Malawi	2009	2011**
Mali	2009	2012**
Mozambique	2004	2013*
Rwanda	2007	2012**
Tanzania	2004	2013
Uganda	2003	2012**
Zambia	2007	2013

\* Currently ongoing German budget support programme (status: April 2015).

\*\*suspended German budget support due to infringements of the Underlying Principles (see chapter 2.2).

The willingness of donors to allocate budget support is linked to the partner government's compliance with the Underlying Principles as determined in a Memorandum of Understanding between donors and the partner government. In the Underlying Principles, key criteria regarding democratic participation, human rights, the fight against corruption, good financial management, macroeconomic stability, and commitment to reform are described. An infringement of the Underlying Principles can imply a reduction, a (temporary) suspension or the phasing out of

budget support. The determination of infringements of the Underlying Principles and resulting consequences remains at the discretion of the individual donors. For Germany, the final decision on whether an infringement of the Underlying Principles has occurred is made by the BMZ, not only based on analysis provided by KfW, but also on political considerations among other things (Faust, 2012b). During the evaluation period, there have been reductions or delays of budget support disbursements in almost all of the nine considered

countries. Budget support was permanently suspended in four of the nine countries due to the following reasons.

- Malawi (2011): Violations of human rights and concerns about the compliance regarding the freedom of the press.
- Mali (2012): military coup in March 2012.
- Rwanda (2012): Allegation of supporting activists of illegal militias in the Eastern Congo, which includes infringements of the international arms embargo.

- Uganda (2012): Corruption scandal in the Prime Minister's Office, allegation of supporting the rebel group M23 in the Eastern Congo through the Ugandan military, discussion about a legislation against homosexuals.

In contrast to other donors, Germany has not yet resumed budget support in any of these countries.

## 8.2

### Information on German accompanying measures

**Table 5. Portfolio of accompanying measures layer 1**

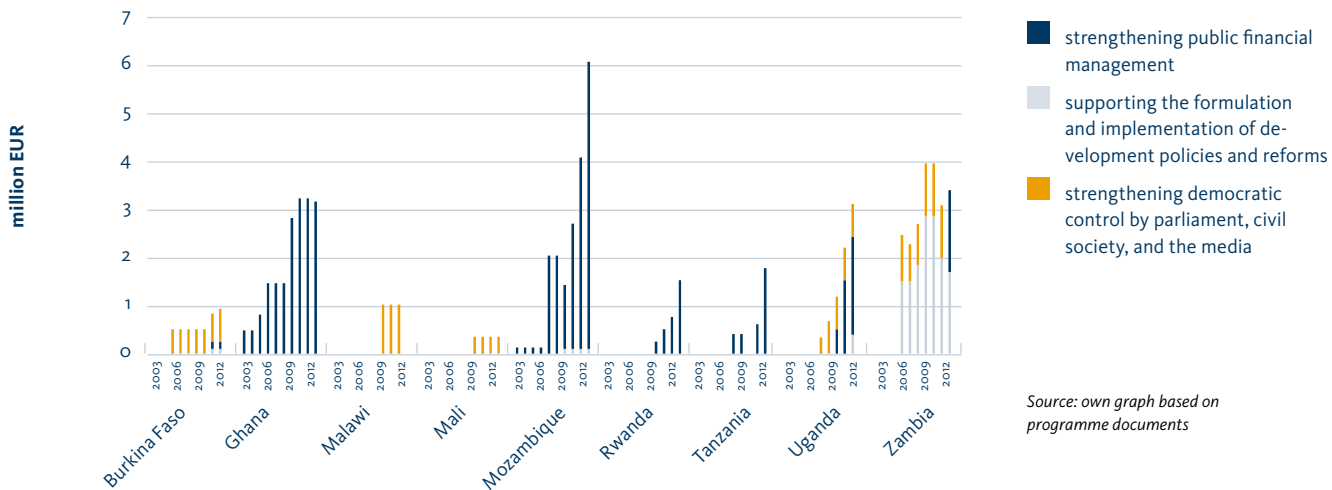
country	Title of the measure	Duration	Type of financing	Basket	TC/FC	Commitment in million euro
Burkina Faso	Begleitmaßnahme zu "Unterstützung der nationalen burkinischen Strategie für Wachstum und nachhaltige Entwicklung" Komponente A: Unterstützung der Korruptionsbekämpfung	2012–2015	Individual financing	Yes	FC	0.4
Burkina Faso	Begleitmaßnahme zu „Unterstützung der nationalen burkinischen Strategie für Wachstum und nachhaltige Entwicklung“ Komponente B: Unterstützung des burkinischen Rechnungshofs	2012–2015	Individual financing	Yes	FC	0.6
Ghana	Begleitmaßnahme zu „Gemeinschaftliche Unterstützung der ghanaischen Wachstums- und Armutsminderungsstrategie“	2003–2009	Co-financing	No	FC	0.3
Ghana	Begleitmaßnahme zu „Gemeinschaftliche Unterstützung der ghanaischen Wachstums- und Armutsminderungsstrategie“	2010–2012	Co-financing	No	FC	0.5
Mozambique	Begleitmaßnahme zu „Beteiligung am gemeinschaftlichen Programm für makroökonomische Unterstützung“	2004–2007	Individual financing	No	FC	0.5
Mozambique	Begleitmaßnahme zu „Beteiligung am gemeinschaftlichen Programm für makroökonomische Unterstützung“ Komponente A: Beratung des GoM im GP	2008–2009	Individual financing	No	FC	0.4
Mozambique	Begleitmaßnahme zu „Beteiligung am gemeinschaftlichen Programm für makroökonomische Unterstützung“ Komponente B: Rechnungshof	2008–2009	Individual financing	Yes	FC	1.6
Mozambique	Begleitmaßnahme zu „Beteiligung am gemeinschaftlichen Programm für makroökonomische Unterstützung“ Komponente C: Steuer- und Zollverwaltung	2008–2009	Individual financing	Yes	FC	2
Mozambique	Begleitmaßnahme zu „Gemeinschaftliches Programm für makroökonomische Unterstützung“ Komponente A: Unterstützung des Gemeinschaftsprogramms	2010–2011	Individual financing	No	FC	0.8
Mozambique	Begleitmaßnahme zu „Gemeinschaftliches Programm für makroökonomische Unterstützung“ Komponente B: Rechnungshof	2010–2011	Individual financing	Yes	FC	0.8
Mozambique	Begleitmaßnahme zu „Gemeinschaftliches Programm für makroökonomische Unterstützung“ Komponente C: Steuer- und Zollverwaltung	2010–2011	Individual financing	Yes	FC	1

Mozambique	Begleitmaßnahme zu „Gemeinschaftliches Programm für makroökonomische Unterstützung“ Komponente D: Parlament und Zivilgesellschaft im Budgetzyklus	2010–2013	Individual financing	No	FC	0.4
Mozambique	Begleitmaßnahme zu „Gemeinschaftliches Programm für makroökonomische Unterstützung“ Komponente B: Rechnungshof und Komponente C: Steuer- und Zollverwaltung	2011–2012	Individual financing	Yes	FC	2.5
Mozambique	Begleitmaßnahme zu „Gemeinschaftliches Programm für makroökonomische Unterstützung“ Komponente B: Rechnungshof	2012	Individual financing	Yes	FC	0.8
Mozambique	Begleitmaßnahme zu „Gemeinschaftliches Programm für makroökonomische Unterstützung“ Komponente C: Steuer- und Zollverwaltung	2012–2013	Individual financing	Yes	FC	3.7
Mozambique	Begleitmaßnahme zu „Gemeinschaftliches Programm für makroökonomische Unterstützung“ Komponente A: Unterstützung des Budgethilfeprogramms im Bereich Budgetanalyse – Stärkung der Begleitung des Budgetprozesses durch das Parlament, die Zivilgesellschaft und die Medien Mozambiques	2013–2014	Individual financing	No	FC	1
Mozambique	Begleitmaßnahme zu „Gemeinschaftliches Programm für makroökonomische Unterstützung“ Komponente B: Rechnungshof	2013–2014	Individual financing	Yes	FC	2
Mozambique	Begleitmaßnahme zu „Gemeinschaftliches Programm für makroökonomische Unterstützung“ Komponente C: Steuer- und Zollverwaltung	2013–2014	Individual financing	Yes	FC	5
Rwanda	Begleitmaßnahme zu „Makroökonomische Programmunterstützung im Rahmen der EDPRS II“	2009/10–2010/11	Individual financing	Yes	FC	1
Rwanda	Begleitmaßnahme zu „Makroökonomische Programmunterstützung im Rahmen der EDPRS III“	2011/12–2013/14	Individual financing	Yes	FC	3
Rwanda	Begleitmaßnahme zu „Makroökonomische Programmunterstützung im Rahmen der EDPRS IV“ Komponente A: PFM	2012/13–2014/15	Individual financing	Yes	FC	2
Rwanda	Begleitmaßnahme zu „Makroökonomische Programmunterstützung im Rahmen der EDPRS IV“ Komponente B: Rechnungshof	2012/13–2014/15	Individual financing	Yes	FC	1
Tanzania	Begleitmaßnahme zu „Allgemeine Budgethilfe in Tansania“ Unterstützung des PFM RP	2009/10	Individual financing	Yes	FC	0.8
Tanzania	Begleitmaßnahme zu „Allgemeine Budgethilfe in Tansania“ Unterstützung des PFM RP	2012/13–2014/15	Individual financing	Yes	FC	2
Uganda	Begleitmaßnahme zu „Gemeinschaftliche Unterstützung des National Development Plan in Uganda“ Unterstützung des PFM Reformprogramms FINMAP	2010/11–2012/13	Individual financing	Yes	FC	3
Uganda	Begleitmaßnahme zu „Gemeinschaftliche Unterstützung des National Development Plan in Uganda“ Unterstützung der Steuersystemreform	2011/12–2012/13	Individual financing	No	FC	2

Table 6. Portfolio of accompanying measures layer 2

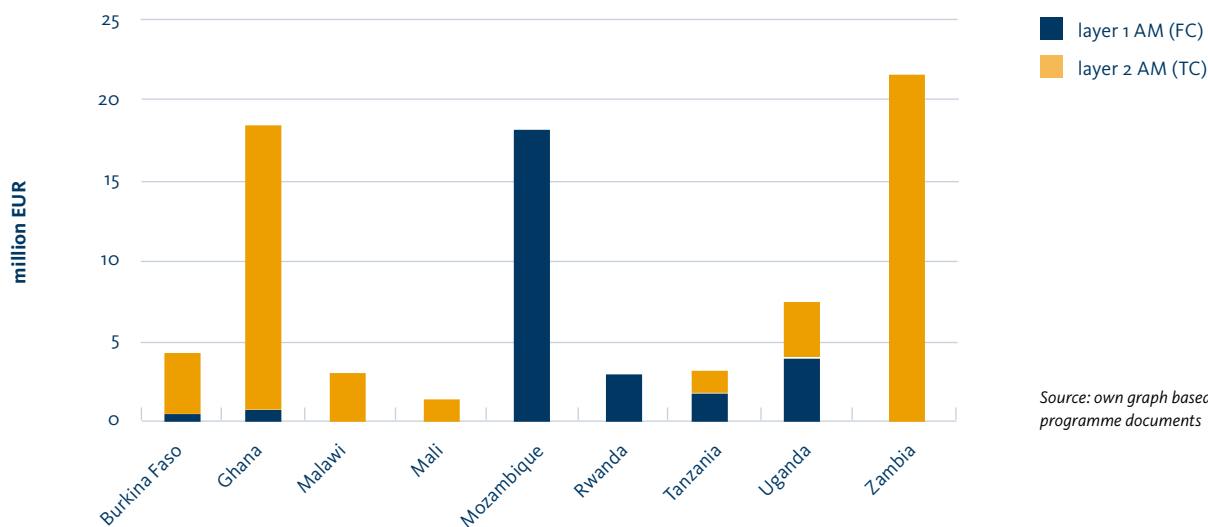
country	Title of the measure	Duration	Type of financing	Basket	TC/FC	Commitment in million euro
Burkina Faso	Beratung des Wirtschafts- und Finanzministeriums III	08/2006–07/2009	Individual financing	No	TC	1.5
Burkina Faso	Beratung des Wirtschafts- und Finanzministeriums IV	08/2009–07/2012	Individual financing	No	TC	1.5
Burkina Faso	Beratung des Wirtschafts- und Finanzministeriums V	08/2012–07/2015	Individual financing	No	TC	2
Ghana	Verbesserung der öffentlichen Finanzen in Ghana – Good Financial Governance I – Verbesserung der Steuererhebung	09/2003–08/2006	Individual financing	No	TC	1.3
Ghana	Verbesserung der öffentlichen Finanzen in Ghana – Good Financial Governance II	09/2006–03/2010	Co-financing	No	TC	5
Ghana	Verbesserung der öffentlichen Finanzen in Ghana – Good Financial Governance III	04/2010–03/2013	Co-financing	No	TC	9
Ghana	Verbesserung der öffentlichen Finanzen in Ghana – Good Financial Governance IV	03/2013–12/2015	Co-financing	No	TC	8
Malawi	Beratung des Ministeriums für Wirtschaftsplanung und Entwicklung und des Finanzministeriums II	07/2008–06/2012	Individual financing	No	TC	4
Mali	Beratung des Wirtschafts- und Finanzministeriums III – Beratung zur Umsetzung der Wachstums- und Armutsstrategie	09/2008–12/2012	Individual financing	No	TC	1.5
Sambia	Demokratisierung, Staat und Zivilgesellschaft I	11/2005–09/2009	Co-financing	No	TC	5.8
Sambia	Demokratisierung, Staat und Zivilgesellschaft II	10/2009–03/2012	Co-financing	No	TC	6.2
Sambia	Demokratisierung, Staat und Zivilgesellschaft II – TZ im weiteren Sinne	10/2009–03/2012	Individual financing	No	TC	0.8
Sambia	Demokratisierung, Staat und Zivilgesellschaft III – Politische Teilhabe von Zivilgesellschaft in Governancereformen und Armutsbekämpfung	04/2012–03/2015	Co-financing	No	TC	5
Sambia	Unterstützung des Finanzministeriums bei der Verbindung der Armutsbekämpfungsstrategie mit dem Haushaltsprozess I	10/2005–09/2007	Individual financing	No	TC	2
Sambia	Unterstützung des Finanzministeriums bei der Verbindung der Armutsbekämpfungsstrategie mit dem Haushaltsprozess II	10/2007–09/2009	Individual financing	No	TC	1.5
Sambia	Unterstützung des Finanzministeriums bei der Verbindung der Armutsbekämpfungsstrategie mit dem Haushaltsprozess III	10/2009–12/2012	Co-financing	No	TC	3.5
Sambia	Unterstützung des Finanzministeriums bei der Verbindung der Armutsbekämpfungsstrategie mit dem Haushaltsprozess IV – Förderung von Good Financial Governance	01/2013–12/2015	Individual financing	No	TC	5
Tansania	Unterstützung des tansanischen Rechnungshofes	10/2012–12/2015	Individual financing	No	TC	3.5
Uganda	Stärkung der Menschenrechte in Uganda	10/2011–12/2013	Individual financing	No	TC	1.94
Uganda	Unterstützung des Amtes des Premierministers bei der Umsetzung des Wiederaufbauplans für Norduganda	07/2008–12/2012	Individual financing	No	TZ	3.0

**Figure 18. Annual German commitments for accompanying measures to budget support according to recipient country and category, 2003–2013**



Source: own graph based on programme documents

**Figure 19. German commitments to accompanying measures to budget support according to recipient country and layer (FC and TC), 2003–2013**



Source: own graph based on programme documents

## 8.3

### Online questionnaire

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#### Part A: General information about your current position

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We would first of all like to ask some questions about your current position.

4. In which country is your assignment?

\_\_\_\_\_ [please select]

5. What is your current position?

<input type="checkbox"/>	Representative of a current donor of general budget support (non-German)
<input type="checkbox"/>	Representative of a former donor of general budget support (non-German)
<input type="checkbox"/>	Other donor representative (non-German)
<input type="checkbox"/>	Current German Head of Cooperation
<input type="checkbox"/>	Former German Head of Cooperation
<input type="checkbox"/>	Programme manager of a German KfW Accompanying Measure to Budget Support
<input type="checkbox"/>	Programme manager of a German GIZ Accompanying Measure to Budget Support
<input type="checkbox"/>	Other, please specify _____

6. How many years have you worked in your current position?\*

<input type="checkbox"/>	up to 1 year
<input type="checkbox"/>	> 1-2 years
<input type="checkbox"/>	> 2-3 years
<input type="checkbox"/>	> 3-4 years
<input type="checkbox"/>	> 4-5 years
<input type="checkbox"/>	more than 5 years

#### Part B: Budget support

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Please note: in this survey, the term “budget support” refers to general budget support only.

7. How do you generally rate the effectiveness of budget support in the country of your assignment regarding the following major objectives?\*

	Highly effective 1	2	3	Not effective 4	Cannot say
Poverty reduction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8. Do you observe any of the following problems in the country of your assignment that might prevent budget support from efficiently contributing to the reduction of poverty?\*

	Highly severe problem 1	2	3	Not a problem at all 4	Cannot say
Total government funds are not sufficient.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Funds are not appropriately allocated between sectors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Funds are not appropriately allocated within sectors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Funds are not appropriately allocated across regions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Funds are misappropriated, i.e. not used for intended purposes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Funds are parked on government accounts and not utilized timely.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Utilized funds do not actually translate into results.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other, please specify _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Part C: Accompanying Measures to Budget Support (AM to BS)

Now we come to the core part of this survey. Before answering the next questions, it is important that you understand our definition of “Accompanying Measures to Budget Support”, hitherto shortened as AM to BS.

### What do we mean by AM to BS?

Many donors try to increase the effectiveness of budget support by providing technical assistance and capacity building flanking the provision of budget support funds.

In this survey, we call all such measures that can improve the effectiveness of budget support funds AM to BS. These could be consultancy, research and training directed at the staff of government ministries and public institutions, as well as at representatives of civil society, just to cite some examples. AM to BS encompass both technical and financial assistance. They can be implemented either bilaterally or as contribution to a common fund.



9. A: In how far do deficiencies in the following areas cause the problems you have identified in question 5?  
B: In how far are these deficiencies currently being addressed by AM to BS of all donors?

	A: Cause of problems						B: Adressed by AM to BS				
	Very much 1	2	3	Not at all 4	Can-not say		Very much 1	2	3	Not at all 4	Can-not say
Budget planning	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Budget execution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Budgetary control (internal and external)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Procurement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Revenue generation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Debt management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fiscal decentralization	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Formulation of development policies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Implementation of development policies/reforms	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Monitoring of development policies/reforms	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Democratic control by parliamentarians	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Democratic control by civil society	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Democratic control by media	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other, please specify _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please imagine for a moment, you were the only donor in the country of your assignment and had to spend a given amount of money for different purposes.

10. Given the situation in the country of your assignment, which percentages would you allocate to budget support funds, AM to BS and other programmes/ projects, respectively?  
*Please indicate the percentage you would allocate to each type.*

Budget support funds \_\_\_\_\_

AM to BS \_\_\_\_\_

Other programmes/projects \_\_\_\_\_

Total \_\_\_\_\_ percent (must add up to 100%)

11. How would you distribute a given amount of money for AM to BS among the following thematic areas?

*Please indicate the percentage you would allocate to each type.*

Strengthening the public financial management system	_____	
Improving formulation/ implementation of development policies	_____	
Supporting democratic control	_____	
Other	_____	
Total		percent (must add up to 100%)

12. How would you distribute a given amount of money for AM to BS among the following types of AM to BS?

*Please indicate the percentage you would allocate to each type.*

Short-term consultancy	_____	
Long-term advisory	_____	
Studies, research	_____	
Training, workshops	_____	
Equipment	_____	
Other	_____	
Total		percent (must add up to 100%)

13. What else do you need to consider for ensuring that AM to BS optimally support the effectiveness of budget support?

*Please indicate the percentage you would allocate to each type.*

\_\_\_\_\_

14. Generally, from your point of view as a donor, what are advantages and disadvantages of contributing to a common fund versus own implementation?

\_\_\_\_\_ Advantages

\_\_\_\_\_ Disadvantages

15. In relation to the objectives listed below, how do you rate

A: the actual contribution of the currently implemented set of AM to BS by all donors and

B: the potential contribution of AM to BS in general?

	A: Actual contribution						B: Potential contribution				
	High 1	2	3	None 4	Can- not say		High 1	2	3	None 4	Can- not say
Poverty reduction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reduction of fiduciary risks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

16. How do you rate

A: the demand by the partner government for

B: the level of donor coordination of AM to BS in the following thematic areas?

	A: Government demand						B: Donor coordination				
	Very much 1	2	3	Not at all 4	Can- not say		Very much 1	2	3	Not at all 4	Can- not say
Strengthening the public financial management system.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Improving formulation and implementation of development policies.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Budgetary control (internal and external)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Supporting democratic control by parliamentarians, civil society and media.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other, please specify _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

17. How do you rate government ownership/ commitment to achieve the objectives of the currently implemented set of AM to BS by all donors?

Very high commitment 1	2	3	No commitment at all 4	Cannot say
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

18. Please specify thematic areas for which government ownership/ commitment is particularly high and low.

\_\_\_\_\_ Areas of high commitment

\_\_\_\_\_ Areas of low commitment

19. What needs to be done to strengthen government ownership/ commitment?

*Please rate the importance of each of the following aspects.*

	Very important 1	2	3	Not important at all 4	Cannot say
The objectives of AM to BS need to correspond to government priorities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A trust relationship between government and donor has to be maintained	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The government needs to be in the lead in selecting and managing technical advisors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The objectives of AM to BS have to be in line with well formulated PAF indicators.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
When PAF indicators are not met, donors need to respond with coordinated action	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The amount of budget support that is retained when PAF indicators are not met, needs to be significant for the partner government	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other, please specify _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

20. Besides government commitment, which other key factors for the success of AM to BS do you observe?

\_\_\_\_\_

## Part D: Interrelations of AM to BS and other budget support inputs

21. According to your experience, the implementation of AM to BS generates information that is...

	Strongly agree 1	2	3	Strongly disagree 4	Cannot say
useful for the policy dialogue around budget support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
useful for the high level political dialogue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
actually used in the policy dialogue around budget support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
actually used in the high level political dialogue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

22. According to your experience, the policy dialogue is used for...

	Strongly agree 1	2	3	Strongly disagree 4	Cannot say
identifying obstacles to an efficient functioning of budget support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
targeting AM to BS to overcome obstacles to an efficient functioning of budget support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
coordinating the planning of AM to BS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
coordinating the implementation of AM to BS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
discussing monitoring results about the progress of AM to BS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
other, please specify _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In the following section, we want to investigate the interrelations between AM to BS that strengthen the supply and the demand side of accountability.

23. In which aspects do AM to BS improve the provision of budget information by public finance management institutions?

*Multiple answers possible.*

<input type="checkbox"/>	Quantity of budget information
<input type="checkbox"/>	Quality of budget information
<input type="checkbox"/>	Timeliness of budget information
<input type="checkbox"/>	Accessibility of budget information
<input type="checkbox"/>	Other, please specify _____

24. In which aspects do AM to BS improve the capacity of civil society, parliamentarians and the media to absorb and utilize budget information?

*Multiple answers possible.*

<input type="checkbox"/>	Being aware of budget information
<input type="checkbox"/>	Accessing budget information
<input type="checkbox"/>	Understanding budget information
<input type="checkbox"/>	Commenting budget information for the public
<input type="checkbox"/>	Requesting improved provision of budget information
<input type="checkbox"/>	Other, please specify _____

Finally, we would like to learn more about your portfolio of AM to BS.

25. Which donor do you represent?

\_\_\_\_\_ [please select]

26. In which of the following fields is the donor you represent financing/ implementing AM to BS?

*Please tick all applicable.*

<input type="checkbox"/>	Budget planning
<input type="checkbox"/>	Budget execution
<input type="checkbox"/>	Budgetary control (e.g. auditor general)
<input type="checkbox"/>	Procurement
<input type="checkbox"/>	Revenue generation (e.g. tax, customs)
<input type="checkbox"/>	Debt management
<input type="checkbox"/>	Fiscal decentralization
<input type="checkbox"/>	Formulation of development policies
<input type="checkbox"/>	Implementation of development policies/ reforms
<input type="checkbox"/>	Monitoring of development policies/ reforms
<input type="checkbox"/>	Democratic control by parliamentarians
<input type="checkbox"/>	Democratic control by civil society
<input type="checkbox"/>	Democratic control by media
<input type="checkbox"/>	Other, please specify _____

## 27. What type of measures do you finance/ implement?

*Please tick all applicable.*

<input type="checkbox"/>	Short-term consultancy
<input type="checkbox"/>	Long-term advisory
<input type="checkbox"/>	Studies, research
<input type="checkbox"/>	Training, workshops
<input type="checkbox"/>	Equipment
<input type="checkbox"/>	Other, please specify _____

## 28. How do you conceptualize AM to BS?

<input type="checkbox"/>	As an integral part of the budget support package
<input type="checkbox"/>	Independent of budget support package
<input type="checkbox"/>	Other, please specify _____

## 29. How do you implement AM to BS?

*Please tick all applicable.*

<input type="checkbox"/>	Bilateral technical assistance
<input type="checkbox"/>	Bilateral financial assistance
<input type="checkbox"/>	Contribution to common fund
<input type="checkbox"/>	Other, please specify _____



## 8.4

### Response to the online survey

Table 7 illustrates that the majority of the invited (current) Heads of Development Cooperation (HoC), the current person responsible (or the last at the time of the termination of measures) for the programmes, as well as programme managers of German accompanying measures participated in the online survey (response rate: KfW: 92 percent, HoC: 91 percent, GIZ: 75 percent). Hence, on the German side, a representative opinion that refers to all German accompanying measures on the part of the HoC can be assumed, while for implementing agencies it has to be assumed that

they focus on their own measures (KfW: Layer 1, GIZ: Layer 2). Concerning representatives of other donors, it has to be assumed that among the 47 percent of respondents, active budget support donors are better represented which could result in a slight bias toward pro budget support. The response rate between the countries ranges from 43 to 81 percent. Here, the differentiation between countries with and without budget support does not provide any explanatory pattern: currently, Mozambique and Burkina Faso are budget support countries, whereas Uganda and Zambia do not receive German budget support anymore. Both pairings respectively show very different response rates.

**Table 7: Response rates to the online survey**

Information in percentage	Burkina Faso	Ghana	Malawi	Mali	Mozambique	Rwanda	Tanzania	Uganda	Zambia	Total
<b>Other donors</b>	73	71	43	50	36	40	43	50	38	47
<b>GIZ</b>	100	100	50	50	50	50	100	100	67	75
<b>KfW</b>	100	50	-	-	100	100	100	100	100	92
<b>HoC</b>	100	100	50	100	100	100	100	100	100	91
<b>Total</b>	81	75	45	55	43	50	56	72	54	58
Information in absolute numbers response/ request	Burkina Faso	Ghana	Malawi	Mali	Mozambique	Rwanda	Tanzania	Uganda	Zambia	Total
<b>Other donors</b>	8/11	5/7	3/7	4/8	9/25	4/10	6/14	5/10	3/8	47/100
<b>GIZ</b>	2/2	2/2	1/2	1/2	1/2	1/2	1/1	4/4	2/3	15/20
<b>KfW</b>	2/2	1/2	0/0	0/0	2/2	1/1	2/2	2/2	1	11/12
<b>HoC</b>	1/1	1/1	1/2	1/1	1/1	1/1	1/1	2/2	1/1	10/11
<b>Total</b>	13/16	9/12	5/11	6/11	13/30	7/14	10/18	13/18	7/13	83/143
Information in percentage	Burkina Faso	Ghana	Malawi	Mali	Mozambique	Rwanda	Tanzania	Uganda	Zambia	Total
<b>Share of non-Germans among the invitees</b>	69	58	64	73	83	71	78	56	62	68
<b>Response rate</b>	81	75	45	55	43	50	56	72	54	58

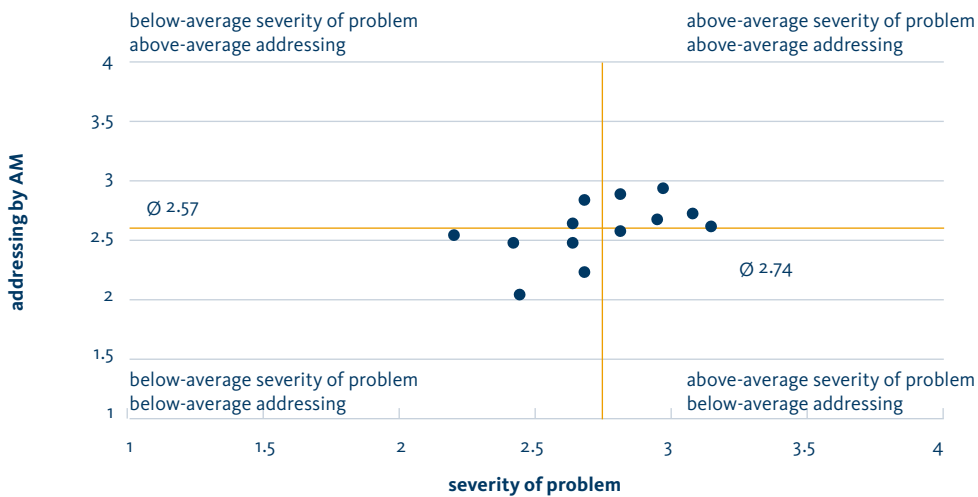
## 8.5 Severity of problem and addressing through accompanying measures

The yellow lines mark the mean values of the severity of the problem and its addressing through accompanying

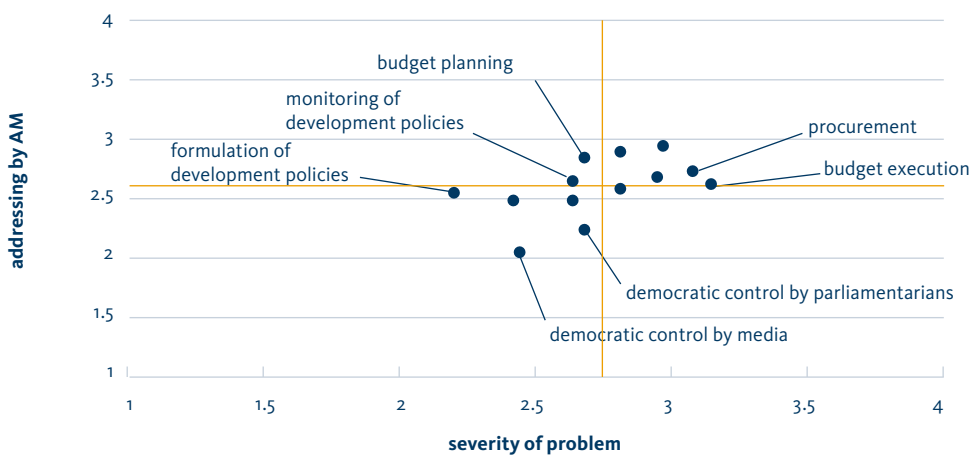
measures. On average, the problems are ranked to be more severe than it corresponds to the addressing through accompanying measures. In total, there tend to be too few accompanying measures. The dots at the bottom left (top right) represent the problem areas, which are below-average (above-average) in their severity and which are addressed

Figure 20. Comparison of severity of problem and addressing through accompanying measures with mean values

### a) Over- and under-addressing



### b) Labelling of selected problem areas



Source: own graph based on data from the online survey

through accompanying measures below-average (above-average). Problem areas on the top left are addressed above-average, but are regarded to be below-average in

their severity. Accordingly, dots at the bottom right correspond to problem areas, which are above-average in their severity, yet addressed below-average.

## 8.6

### Interview guidelines

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The interviews with representatives of budget support donors and the partner side were conducted

- A. during the explorative mission to Mozambique,
- B. to explore the results from the online survey in greater detail, as well as
- C. to capture the partners' perspective in Tanzania.

Hereinafter, three guidelines are depicted to give an example. The questions were in part specifically tailored to the respective interlocutors. Additionally, interviews were conducted in preparation of the online survey as well as to reflect the evaluation results; those questions are not listed here in detail.

### A. Key questions for budget support donors in Mozambique

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#### Budget support

- 1 What is the current trend in your country's budget support policy?

#### Accompanying measures

- 2 Does/did your country provide any technical assistance and/or capacity building flanking the financial contribution of BS?
- 3 What is the overall goal?
- 4 What kind of measures? What are key objectives?
- 5 Are they part of the BS agreement or separate programmes? Contribution to basket funding and/or own implementation?
- 6 How do you assess their effectiveness? What changes have you observed as a result of AM? What are reasons for success/failure?

#### Multidonor context

- 7 Is there a demand for AM? From whom and for what kind of AM?
- 8 Are you aware of other donors assistance flanking the financial contribution of BS?
- 9 Are they coordinated among the G19? How does the coordination work?
- 10 Do you notice any specific focus regarding AM among different donors?
- 11 How do you perceive German AM?

#### Functioning of AM in the context of BS

- 12 Is the information from policy dialogue used for providing targeted AM? Are the experiences with AM fed back into policy dialogue? (Relation to PAF?)
- 13 Are the experiences from implementing AM discussed among donors? Is the provision of AM coordinated among donors?
- 14 Do you think that BS works as incentive for the government to accept and utilise AM? Would you say that a PFM programme is more effective when BS is provided?

- 15 Has the combination of strengthening the PFM system (supply side of accountability) with empowering parliament and civil society (demand side) generated specific effects?
- 16 Has the PRSP support contributed to poverty oriented allocation of the budget? Has the combination of PRSP support with empowering parliament and civil society generated specific effects? (Question for BS countries with PRSP portfolio.)

### Future of AM

- 17 In times of reduced BS, do you think that AM are still relevant and effective? Do they need to be adapted, and how?
- 18 What kind of AM will be needed? For which thematic sector?

## B. Key questions for representatives of German implementing agencies after the online survey

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- 1 Do you have any general comments relating to the online survey or the evaluation?
- 2 How long have you worked in this position at XY?
3. One finding of the online survey is that particularly the implementation of the budget poses a big problem. However, there are just a few accompanying measures carried out in the area of budget implementation. Do you agree with this assessment? What could be the reason? Is it realistic apply more accompanying measures in this area? What would be an alternative?
4. Budget Planning: is regarded as less problematic. Agreement? Due to accompanying measures? Is the focus of donors on budget planning too strong?
5. Analogous to procurement: Too few accompanying measures? Why? Is there more one could/ should do?
6. One important success factor for accompanying measures is the government's commitment. Our survey has shown that in order to strengthen commitment, a relationship of trust between donors and the partner government is crucial. From your perspective, what are the decisive factors to establish or maintain this relationship?
7. Donors rank the demand of partners in the area of PFM higher than in other areas such as strengthening of democratic control or promoting the formulation of development policies. To which subareas does this particularly apply, and why?
8. Another important success factor for accompanying measures is the coordination between donors. This coordination seems to be better in the area of public financial management than in other areas such as formulating and implementing development policies as well as promoting democratic control. How can this be explained?
9. Policy dialogue has a potentially high influence on accompanying measures. Our survey illustrates that within the scope of policy dialogue, the obstacles for an efficient functioning of budget support are identified, yet there is no targeted commitment to eliminate these obstacles. Can you explain why? How could this missing link be established?
10. Do any special effects arise from the simultaneous strengthening of the PFM system, namely the accountability of the supply side and the demand side, and thereby parliament, civil society, and the media?
11. Some respondents stated that accompanying measures have strengthened the capacities of parliament and civil society with regard to the absorption of information relating to the budget to such an extent that additional or better information has been demanded from them. Are you familiar with something like that from XY? If so, was the request answered?
12. Do you believe that budget support constitutes an incentive for the government to accept and use accompanying measures? Do you think that a PFM programme is more effective if budget support is provided? Why?

## C. Key questions for partner representatives in Tanzania

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### Personal Information

- 1 What is your position?
- 2 How many years have you been working in your current position/ in this thematic field?

### Relevance

- 3 How do you generally rate the effectiveness of GBS in Tanzania regarding the following major objectives?
  - Poverty reduction:
  - Good governance:
- 4 In relation to these objectives, how do you rate the actual contribution, and the potential contribution of AM to BS?
- 5 How far do deficiencies in the following areas cause problems that prevent budget support from efficiently contributing to the reduction of poverty?
  - See list in questionnaire.
- 6 How far are these deficiencies currently being addressed by AM to BS by all donors?
  - See list in questionnaire.
- 7 Please imagine for a moment that you could allocate the total budget of all donors in Tanzania to different purposes. Given the situation in Tanzania, which percentages would you allocate to budget support funds, AM to BS and other programmes/projects, respectively?  
Why?
- 8 How would you distribute a given amount of money for AM to BS among the following thematic areas?
- 9 How would you distribute a given amount of money for AM to BS among the following types of AM to BS? Why?
- 10 You have rated (budget execution, procurement, democratic control ...) as particularly severe problems in the budget support system that are not sufficiently addressed by AM to BS. Do you have any suggestions what kind of technical assistance/ capacity development could help to improve the situation?
- 11 You have rated (budget planning, formulation of devt. policies, ...) not as severe problems yet addressed by AM to BS. Does this mean, in the future these AM to BS are not needed anymore?

### Functioning

- 12 Do AM to BS in your area generate information that is useful for policy dialogue?  
If yes > Examples.
- 13 Do AM to BS in your area generate information that is actually used in policy dialogue?  
If yes > Examples.
- 14 Is the policy dialogue used for identifying bottlenecks in the budget support system? Does this lead to providing targeted AM?
- 15 Is the planning and implementation of AM to BS coordinated among donors? If yes, does this coordination take place in the policy dialogue? If yes, at which level? If not, where else does coordination take place? Why does coordination not take place? Does coordination vary across sectors? > Examples.
- 16 Please think about the technical assistance/capacity building in your institution. Would this assistance meet the same level of interest if there was no budget support in Tanzania? Why?
- 17 Does the effort towards meeting the PAF indicators increase the motivation to request and utilise technical assistance and capacity building?

- 18 Has the combination of strengthening the PFM system (supply side of accountability) with empowering parliament and civil society (demand side) generated specific effects?  
(Please give us concrete examples)

### Success factors

- 19 What should donors consider in the planning and provision of AM to BS?  
20 Do you have any other recommendations for donors?

## 8.7

### Overview of the respondents and interviewees

**Table 8: Participants of the online survey**

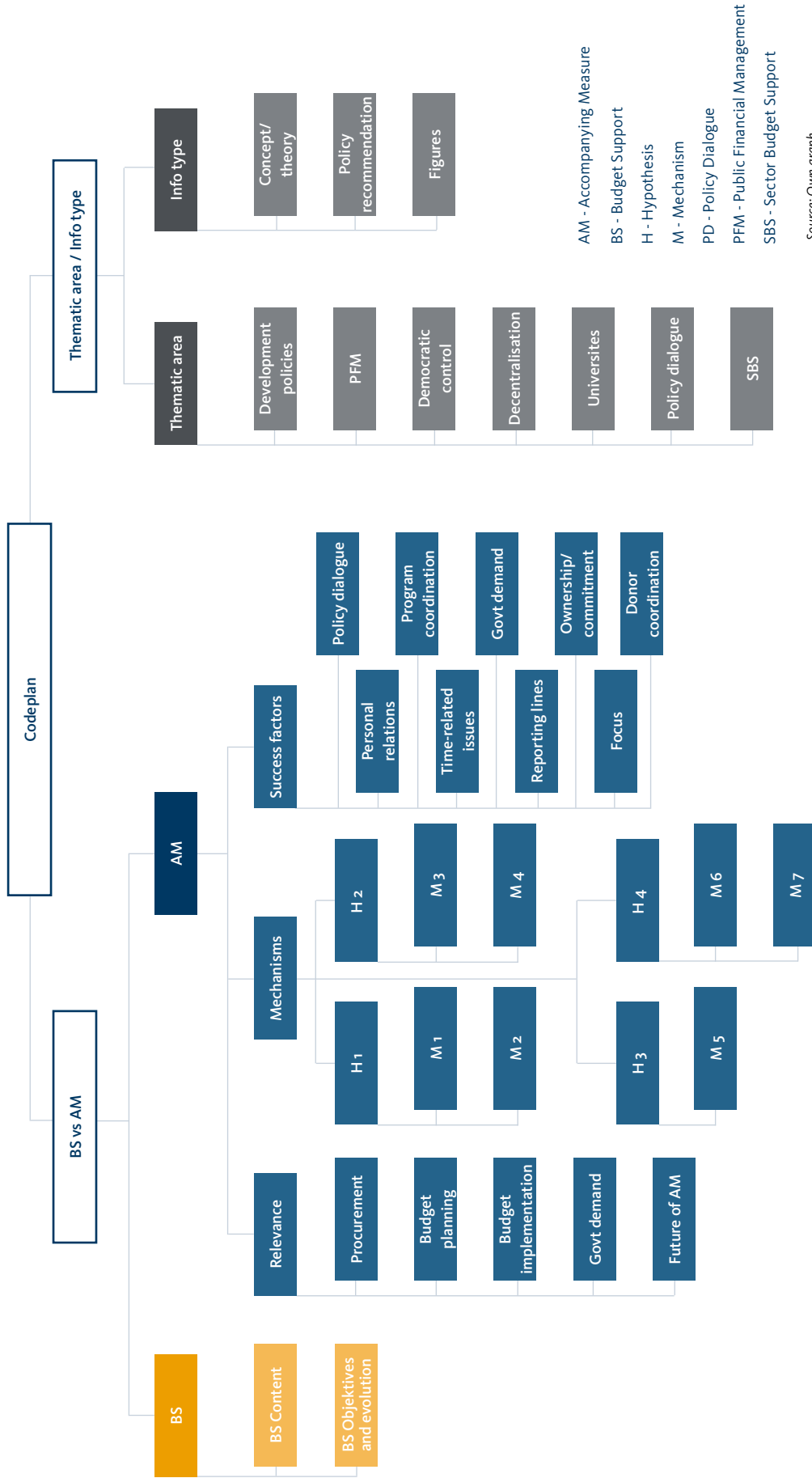
	Burkina Faso	Ghana	Malawi	Mali	Mozambique	Rwanda	Tansania	Uganda	Zambia	TOTAL
<b>Germany</b>	5	4	2	2	4	3	4	8	4	36
<b>Other donors (incl. multilateral donors)</b>	8	5	3	4	9	4	6	5	3	47
<b>TOTAL</b>	13	9	5	6	13	7	10	13	7	83

**Table 9: Interviewees**

	Short mission Mozambique	Short mission Tanzania	Other interviews	TOTAL
<b>Germany</b>	12	5	27	44
<b>Other bilateral donors</b>	10	3	5	18
<b>Multilateral donors</b>	4	4	5	13
<b>Independent experts</b>	3	1	2	6
<b>Partner</b>	12	15		27
<b>TOTAL</b>	41	28	39	108

# 8.8

## Code plan



Source: Own graph







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