

The Future of Integrated Policy-Based Development Cooperation: Lessons from the Exit from General Budget Support in Malawi, Rwanda, Uganda and Zambia

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THE FUTURE OF INTEGRATED POLICY-BASED DEVELOPMENT COOPERATION

Lessons from the Exit from General Budget Support
in Malawi, Rwanda, Uganda and Zambia

2018



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EVALUATION

During the 2000s, budget support had been a preferred aid modality for implementing the principles of effective aid formulated in the 2005 Paris Declaration. While the literature attested to the positive effects of the modality, the 2010s have been marked by the withdrawal of many donors from the modality. The modality had increasingly come under criticism due to scandals in the recipient countries and accountability pressures at home.

This evaluation used a theory-based approach comprised of comparative case studies in Malawi, Rwanda, Uganda and Zambia, which were complemented by an innovative process tracing approach. The results of the evaluation show that the exit from budget support increases fragmentation in aid portfolios and lowers harmonization and coordination among donors. The exit led to negative developments in most areas that had benefited from the introduction of budget support, for example in public expenditure for social sectors and macroeconomic performance.

These findings are not only relevant for the launch of new policy-based modalities similar to budget support, but also provide lessons learned for the exit from integrated policy-based approaches. This evaluation is one in a row of three DEval budget support evaluations (Orth et al. (2017), *What We Know about the Effectiveness of Budget Support*; Krisch et al. (2015), *Accompanying Measures to Budget Support in Sub-Saharan Africa*).

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ZUSAMMENFASSUNG

Hintergrund

Um die Jahrtausendwende kam die internationale Gemeinschaft zu der Schlussfolgerung, dass es für eine wirksame Entwicklungszusammenarbeit innovativer Ansätze bedürfe, die eine Reihe von Kernprinzipien berücksichtigen und umsetzen sollen, wie zum Beispiel die Eigenverantwortung der Empfängerländer, Koordinierung unter den Gebern und gegenseitige Rechenschaftspflicht. Diese Prinzipien wurden 2005 in der Erklärung von Paris über die Wirksamkeit der Entwicklungszusammenarbeit (OECD DAC, 2005) und anderenorts als Antwort auf die Lehren aus mehr als fünf Jahrzehnten Entwicklungszusammenarbeit formuliert. Es entwickelte sich ein Konsens, dass wirksame Ansätze der Entwicklungszusammenarbeit die Lücke zwischen Interventionen auf Makro- und Mikroebene durch Nutzung der gesamten Palette der verfügbaren Instrumente (*d.h.* finanzielle Unterstützung, Technische Zusammenarbeit, politischer Dialog und Konditionalität) schließen müssten. Weiterhin sollten zukünftige Ansätze die Paris-Prinzipien der Eigenverantwortung, Partnerausrichtung, Harmonisierung, gegenseitigen Rechenschaftspflicht und Ergebnisorientierung einhalten.

Diese Lehren wurden von der internationalen Gemeinschaft dahingehend interpretiert, dass der neue Ansatz den integrierten Einsatz von finanzieller und technischer Unterstützung einhergehend mit einem Politikdialog auf höchster politischer Ebene und Bestimmungen zu gegenseitiger Rechenschaftspflicht der Geber- und Partnerregierungen beinhalten sollte. Eine Modalität zur Umsetzung dieser integrierten, an den Politiken der Partner orientierten Entwicklungszusammenarbeit war die Budgethilfe, die sich zur wohl meist diskutierten Modalität der Entwicklungszusammenarbeit (EZ) in den 2000er Jahren entwickelte.¹ Allgemeine Budgethilfe wird oft gemeinsam von mehreren Gebern² angeboten, um gemeinsam nationale Strategien zur Armutsbekämpfung und Entwicklungspläne der Partnerregierung zu unterstützen. Der Haushalt des Partnerlandes wird durch einen Ressourcentransfer unterstützt, der entweder ungebunden (allgemeine Budgethilfe) oder für spezifische Sektoren (Sektor-Budgethilfe) bereitgestellt wird. Dieser finanzielle Beitrag wird durch einen Politikdialog, Konditionalität, Technische Zusammenarbeit und Kapazitätsentwicklung³ ergänzt. Der Politikdialog befasst sich auf einer hohen politischen Ebene mit übergreifenden Fragen, wie z.B. Budgetentscheidungen, wie auch auf technischer Ebene mit spezifischen Sektorpolitiken und Reformprogrammen. Die Konditionalitäten bestehen in der Regel aus sogenannten grundlegenden Prinzipien (*underlying principles*) als Voraussetzung für die Zahlung von Budgethilfe und einer regelmäßigen Leistungsüberprüfung in Form eines *Performance Assessment Framework* (PAF). Die *underlying principles* setzen Mindeststandards zu Themen wie makroökonomische Stabilität, demokratische Grundprinzipien oder Menschenrechte. Der PAF wird in Zusammenarbeit mit der Partnerregierung entwickelt, um den Fortschritt in gemeinsam vereinbarten Reformen festzustellen. Die Kapazitätsentwicklung bietet technische Hilfe an zu Themen, die im Rahmen der Budgetunterstützung behandelt werden, wie öffentliches Finanzmanagement (PFM) oder innerstaatliche Rechenschaftspflicht.

Budgethilfe wurde als am besten geeignete Modalität zur Umsetzung der Wirksamkeitsprinzipien und zum Abbau einer hohen Fragmentierung in der EZ angesehen. Zwischen 2006 und 2010 gaben allein europäische Geberländer (bilateral und Europäische Kommission) rund 15,5 Mrd. EUR an Budgethilfe für die Partnerländer (Orth *et al.*, 2017). Der Interventionslogik von Budgethilfe folgend sollte die Budgethilfe Transaktionskosten senken und die Vorhersagbarkeit von EZ-Mitteln steigern. Außerdem ist der Anspruch, dass die nationale Souveränität gewahrt bleibt, politische Reformen eigenverantwortlich entwickelt und nicht von den Gebern diktiert werden. Dieser Eingriff in die Souveränität von Entwicklungsländern war in

¹ In einer parallelen Entwicklung hatten Geber wie Deutschland auch mit der Umsetzung eines ganzheitlichen bzw. „mehrstufigen“ Ansatzes zur projektbasierten Hilfe in Kombination mit Interventionen auf Mikro-, Mittel- und Makroebene begonnen, um die diagnostizierten Lücken zwischen den früheren Ansätzen auf Mikro- und Makroebene zu schließen.

² Die Europäische Kommission und die europäischen Mitgliedsstaaten boten oft eine gemeinsame Budgetunterstützung von mehreren Gebern an, während die Weltbank, der IWF und einige bilaterale Geber auch Budgethilfe alleine zur Verfügung stellten.

³ In Annex 7.2 ist ein Glossar zur Budgethilfe-Terminologie zu finden.

der Vergangenheit ein häufiger Kritikpunkt an Strukturanpassungsprogrammen gewesen. In Verbindung mit diesen nun souveränen Budgetentscheidungen der Regierung sollte diese verstärkt Rechenschaft über Erreichtes gegenüber den Bürgern und durch die Beurteilungen im Rahmen der PAF auch gegenüber den Gebern ablegen.

Trotz der Erfolge und belegten Wirkungen begannen die Geber gegen Ende der 2000er aufgrund von Skandalen in den Empfängerländern und Rechenschaftszwängen zuhause die allgemeine Budgethilfe auszusetzen oder ganz zu beenden. Zahlreiche Evaluierungen und einige Synthesestudien belegen, dass Budgethilfe in der Tat wichtige entwicklungspolitische Wirkungen fördert, z.B. die Steigerung von Staatsausgaben in den sozialen Sektoren oder die Verbesserungen des öffentlichen Finanzwesens. Dennoch nahm die Bereitschaft, Budgethilfe bereitzustellen, aufgrund von politischen Veränderungen in den Geberländern hin zu konservativeren Regierungen ab und wurde mit Korruptionsskandalen, politischen Rückschlägen, makroökonomischer Destabilisierung und Verletzungen der Menschenrechte in verschiedenen Empfängerländern begründet. Bis 2013 hatten fast alle bilateralen Geber ihre Budgethilfe-Programme eingestellt.

Ziele - Evaluierungsfragen

Ziel dieser Evaluierung war es zu analysieren, ob die Effekte von Budgethilfe⁴ den Ausstieg aus dieser Modalität überdauern und nachzuvollziehen, wie sich die EZ-Portfolios seit dem Ausstieg aus der Modalität verändert haben. Die Folgen des Ausstiegs aus EZ-Instrumenten auf Entwicklungsfortschritte werden erst seit Kurzem untersucht und bleiben generell unzureichend erforscht. In Kombination mit einer vorangegangenen Evaluationssynthese, die vorhandene Literatur zu Effekten der Budgethilfen systematisch analysiert (Orth *et al.*, 2017), ist ein Vergleich der Auswirkungen der Budgethilfe vor und nach dem Ausstieg möglich. Die beiden zentralen Fragen dieser Evaluierung sind:

- Wie verändern sich EZ-Portfolios und die Beziehungen zwischen Gebern und Partnern durch die Beendigung der allgemeinen Budgethilfe?
- Überdauern die nachgewiesenen Effekte der Budgethilfe den Ausstieg aus der Modalität?⁵

Die Zielgruppen dieser Evaluierung sind politische Entscheidungsträger in Deutschland und anderen Geberstaaten, bilaterale und multilaterale Geber sowie Durchführungsorganisationen.

Methodik

Diese theoriebasierte Evaluierung nutzt ein vergleichendes Fallstudiendesign, ergänzt durch einen innovativen *Process Tracing-Ansatz*. Vergleichende Fallstudiendesigns zeichnen sich dadurch aus, dass sie zur umfassenden Analyse komplexer Interventionen geeignet sind, jedoch schwächer in Bezug auf die Prüfung der Kausalzusammenhänge sind. Um diese Einschränkung zu reduzieren, wurde die Methode dieser Evaluierung um *Process Tracing* erweitert. Das *Process Tracing* unterteilt die Kausalkette in kleinere Teile, die dann einfacher zu überprüfen sind. Es ist ein Ansatz, der besonders dazu geeignet ist, Fragen des ‚ob und wie‘ zu beantworten und eine große Zuverlässigkeit bei der Bestimmung von Kausalzusammenhängen zu bieten.

Das Evaluierungsteam wählte kriterienbasiert Malawi, Uganda, Ruanda und Sambia als Fallstudienländer aus. Die Datenquellen waren semi-strukturierte Interviews, Budgetanalysen, Verwaltungsdaten und Länderberichte. Das Team führte 106 Interviews mit 145 Repräsentanten der Partnerregierungen, Gebern und zivilgesellschaftlichen Organisationen (CSOs). Beraterinnen und Berater vor Ort erstellten individuellen Budgetanalysen. Sie verfügen über den bestmöglichen Zugang zu Budgetdaten. Die Länderfal-

⁴ In diesem Evaluierungsbericht beinhaltet der Begriff ‚Effekt‘ alle Ergebnisse der Budgethilfe auf Output, Outcome und Wirkungsebene der Interventionslogik von Budgethilfe.

⁵ Die Bewertungsgruppe verwendet eine eingeschränkte Definition von Nachhaltigkeit aus den Kriterien zur Bewertung der Entwicklungshilfe des Entwicklungshilfesausschusses der Organisation für wirtschaftliche Zusammenarbeit (OECD DAC). Nach dieser Definition wird Nachhaltigkeit erreicht, wenn der Nutzen eines Programmes oder Projektes nach dem Ende der Gebermittel weiterbesteht (OECD DAC, 1991:2).

lauswahl wurde in einem zweistufigen indikatorbasierten Verfahren getroffen. Die Ergebnisse aus den Fallstudien wurden im Anschluss an die Auswertung mit den Ergebnissen der Evaluationssynthese zur Wirksamkeit von Budgethilfe verglichen (Orth *et al.*, 2017).

Ergebnisse

Der Ausstieg aus der Budgethilfe in den vier Fallstudienländern erfolgte zwischen 2012 und 2014 als Reaktion auf Verletzungen grundlegender Konditionalitäten (*underlying principles*). Der ‚Ausstieg‘ ist in dieser Evaluierung als die Aussetzung der Budgethilfezahlungen von mehreren Gebern über mehr als einen Budgethilfezyklus definiert. In Malawi führte 2013 eine massive Veruntreuung öffentlicher Mittel, bekannt unter dem Namen „Cashgate“, zu einem Ausstieg aller Geber aus der Budgethilfe. In Ruanda beendeten die meisten Geber ihre allgemeine Budgethilfe nachdem ein Bericht der Vereinten Nationen (UN) der ruandischen Regierung vorwarf, die Tutsirebellen in der Demokratischen Republik Kongo (DRC) finanziell zu unterstützen. In Uganda löste ein Korruptionsskandal im Amt des Premierministers den Ausstieg aller Geber aus. In Sambia war der Ausstieg ein allmählicher Prozess, der als Folge sich verschlechternder Leistungen in Bezug auf die PAF-Indikatoren und durch Korruptionsskandale ausgelöst wurde. Alle diese Fälle hatten gemeinsam, dass eine Verletzung der zugrundeliegenden Prinzipien der Budgethilfe die Begründung der Geber für den Ausstieg war. Unter diesen Umständen war eine vertrauensvolle Zusammenarbeit mit den Partnerregierungen nicht länger möglich. Eine allgemein sinkende Bereitschaft Budgethilfe zu zahlen, könnte einen schnellen Ausstieg befördert haben.

Allgemeine Budgethilfe war in allen vier Ländern von großer finanzieller Bedeutung, da sie den budgetären Spielraum der Regierungen erweiterte. Der Ausstieg aus dieser Modalität stellte daher einen spürbaren finanziellen Einschnitt dar. Im Jahr 2010 machte die allgemeine Budgethilfe mindestens 5% des Staatshaushalts der Partnerregierungen in den vier Ländern aus, in Malawi lag dieser Wert bei 21%. 2014 lag der Anteil der allgemeinen Budgethilfe am Haushalt in allen vier Ländern fast bei null.

Politikdialog

Der Ausstieg der Geber aus der allgemeinen Budgethilfe hat den Politikdialog zwischen Gebern und Partnern systematisch geschwächt und zu einem stark reduzierten oder fehlenden Austausch auf hoher politischer Ebene geführt. Der Politikdialog brach mit dem Ausstieg auf hoher politischer Ebene zusammen und fand nur noch auf der technischen Ebene statt. Das Fehlen eines politischen Dialogs auf hoher politischer Ebene führte nicht nur zu weniger Austausch insgesamt, sondern beeinträchtigte auch die Qualität des Dialogs auf der technischen Ebene. Auch die Beteiligung der Partnerregierungen an Geberprogrammen und der Einfluss von Gebern auf die Politik der Partnerseite reduzierte sich.

Harmonisierung

Durch allgemeine Budgethilfe hatte sich die Harmonisierung zwischen den Gebern verbessert.⁶ Seit dem Ausstieg nahm die Geber-Harmonisierung in allen untersuchten Ländern ab und die EZ-Portfolios wurden fragmentierter. Gebergemeinschaftliche Ansätze und programmorientierte Ansätze⁷ kamen nur noch in wenigen Bereichen zum Einsatz, obwohl die Partnerregierungen solche Ansätze bevorzugen. Die hohe Fragmentierung der EZ-Portfolios und Rebilateralisierung der EZ sind als problematisch einzustufen, da sie eine wirksamere EZ behindern.

⁶ Die Intensivierung der Harmonisierung war jedoch nicht so ausgeprägt wie erwartet (Orth *et al.*, 2017).

⁷ Das Development Assistance Committee der OECD definiert programmorientierte Ansätze als eine Art von Entwicklungszusammenarbeit, die auf den Prinzipien einer koordinierten Unterstützung der partnereigenen Programme basiert, wie nationale Entwicklungsstrategien, Sektorprogramme, thematische Programme oder Programme einer spezifischen Organisation (OECD DAC, 2008, p. 148).

Öffentliche Ausgaben

Potentiell armutsrelevante Sektoren (z.B. Gesundheit, Bildung und Landwirtschaft) erhielten nach dem Ausstieg in den Fallstudienländern einen niedrigeren Anteil des Staatshaushaltes, mit der Ausnahme Sambias. Die Veränderung in der Budgetzusammensetzung wurde verursacht durch einen verstärkten Fokus auf Wirtschaftswachstum im Falle Ugandas und Ruandas und hohe Schuldendienstverpflichtungen im Falle Malawis. In Sambia blieb der Anteil von öffentlichen Ausgaben in sozialen Sektoren seit dem Ausstieg konstant. Eine Erklärung für diese Ausnahme ist, dass die Wahlkämpfe im Zeitraum 2014-2016 einen Anreiz geschaffen hatten, die Ausgaben in diesen Sektoren hoch zu halten.

Öffentliches Finanzwesen

Der Ausstieg aus der Budgethilfe und der damit entstandene Handlungszwang hielt die Reformanstrengungen im öffentlichen Finanzwesen in Malawi hoch, in Sambia und Uganda sanken die Reformanstrengungen als Folge des Ausstiegs. Die Reform des öffentlichen Finanzwesens blieb in Ruanda vom Ausstieg unberührt. In Malawi verursachte der Skandal, der zum Ausstieg aus der allgemeinen Budgethilfe geführt hatte, und die Aussicht auf einen möglichen Wiedereinstieg in die Budgethilfe bei Erfüllung der Konditionalität internen und externen Druck, der zur Verbesserung des öffentlichen Finanzwesens führte. Für Uganda und Sambia führte der Ausstieg aus der Budgethilfe aufgrund fehlender externer Anreize zu einem Rückgang der Reformanstrengungen im öffentlichen Finanzwesen. Die Regierung Ruandas betrachtet das öffentliche Finanzwesen weiterhin als wichtiges Instrument zur Regierungsführung und treibt die Reform ungeachtet des Ausstiegs aus der Budgethilfe voran.

Innerstaatliche Rechenschaftspflicht und Budgettransparenz

Der Ausstieg aus der allgemeinen Budgethilfe führte dazu, dass die Regierungen Ugandas und Sambias ihrer innerstaatlichen Rechenschaftspflicht weniger nachkamen, während in Malawi der Anreiz durch einen möglichen Wiedereinstieg in die Budgethilfe dafür sorgte, dass der Rechenschaftslegung etwas stärker nachgekommen wurde. Mit dem Ausstieg aus der Budgethilfe nahm der Druck Externer, insbesondere der Geber, auf die Rechenschaftspflicht der Partnerregierung ab. In Uganda und Sambia führte der Ausstieg aus der Budgethilfe dazu, dass der Einfluss zivilgesellschaftlicher Organisationen und des Parlaments auf Haushaltsentscheidungen nachließ. In Malawi sorgte der Skandal und die Möglichkeit des Wiedereinstiegs bei Erfüllung von Vorbedingungen zu ausreichend externem Druck zu einer, wenn auch geringfügigen Verbesserung der innerstaatlichen Rechenschaftslegung.

Gemessen an der Anzahl der veröffentlichten Dokumente verbesserte sich die Haushaltstransparenz in allen vier Ländern. Die Qualität der bereitgestellten Informationen verschlechterte sich jedoch in Folge des Ausstiegs. Die Qualität und Relevanz der Haushaltsinformation ging in Ruanda, Uganda und Sambia aufgrund fehlender Daten über Budgetausgaben durch den Ausstieg aus der Budgethilfe zurück. In Malawi führte die Hinarbeit auf die Erfüllung von Konditionalität zum Wiedereinstieg in die Budgethilfe zu aufgearbeiteten Rückständen in Audit Berichten, welche die Basis für Haushaltstransparenz verbesserten.

Bereitstellung öffentlicher Leistungen und Nicht-Einkommensarmut

Die Befunde bezüglich der Bereitstellung öffentlicher Leistungen seit dem Ausstieg aus der Budgethilfe sind gemischt, von negativen über unveränderte bis hin zu positiven Auswirkungen des Ausstiegs. Die Ergebnisse basieren alle auf einer schwachen Datengrundlage und eine Kausalität kann nicht nachgewiesen werden. Für Malawi und Sambia weisen die wenigen verfügbaren Statistiken über Dienstleistungserbringung im Bereich Bildung auf negative Wirkungen des Ausstiegs hin. In Uganda zeigen sich nach dem Ausstieg gegenläufige Ergebnisse für Bildung je nach Indikator und in Ruanda verbesserte sich die Dienstleistungserbringung im Gesundheits- und Bildungsbereich nach dem Ausstieg leicht.

Die Nicht-Einkommensarmut hat sich seit dem Ausstieg nicht verändert, allerdings sind Daten hierzu nur bis 2015 verfügbar und Langzeiteffekte noch nicht sichtbar. Die bisherigen Ergebnisse suggerieren, dass sich die Veränderungen in den armutsrelevanten öffentlichen Ausgaben als Folge des Ausstiegs bisher kaum oder gar nicht in Indikatoren für Nicht-Einkommensarmut niederschlugen.

Makroökonomische Leistung

In allen vier Ländern sank das Bruttoinlandsprodukt (BIP) durch den Ausstieg kurzfristig und der Schuldenstand stieg an, da das durch den Wegfall der Budgethilfe-Zahlungen entstandene Defizit ausgeglichen werden musste. Die jährlichen BIP-Wachstumsraten sanken in allen Ländern (mit Ausnahme Malawis) nach dem Ausstieg in 2012 und 2013 und erreichten eine Rate nahe dem Durchschnitt für Sub-Sahara Afrika, während die Raten in den Vorjahren und den Folgejahren deutlich über dem regionalen Durchschnitt lagen. Die BIP-Wachstumsraten erholten sich rasch bei Ergreifung geeigneter Maßnahmen. Die Antwort der Regierungen auf den Ausstieg aus der allgemeinen Budgethilfe war die Erhöhung der inländischen Kreditaufnahme, um die ausgefallenen Zahlungen der allgemeinen Budgethilfe zu kompensieren. Nur Sambia erweiterte die externe Finanzierung nach dem Ausstieg. Für das stark EZ-abhängige Malawi (15% des Haushalts wurden im Jahr vor dem Ausstieg durch die allgemeine Budgethilfe finanziert) entstanden durch den Schuldenanstieg sehr hohe Schuldendienstkosten, die öffentliche Investitionen verdrängten. Finanzpolitische Anpassungen, d.h. Senkung der Ausgaben und/oder Steigerung der Einnahmen, halfen Ruanda und Uganda bei der Minimierung des Haushaltsdefizits und einer schnellen Erholung nach dem Ausstieg. In Malawi und Sambia stiegen die Haushaltsdefizite weiter an und das Wachstum blieb niedrig.

Robustheit der Budgethilfe-Effekte

Die Analyse, basierend auf der Kombination aus vergleichendem Fallstudiendesign und Process Tracing, zeigt, dass der Ausstieg aus der allgemeinen Budgethilfe meist negative Auswirkungen auf Politiken und Strukturen hatte, die zuvor von der Einführung der allgemeinen Budgethilfe profitiert hatten. Die Folgen des Ausstiegs aus der allgemeinen Budgethilfe sind besonders stark ausgeprägt in Bezug auf die verschlechterte Harmonisierung zwischen den Gebern, die erhöhte Fragmentierung der EZ-Portfolios und den geschwächten Politikdialog. Die Wirkungen der Budgethilfe waren durchweg positiv in diesen Bereichen, wohingegen die Auswirkungen des Ausstiegs in allen vier Fallstudienländern negativ waren. Die Analyse zeigt außerdem große Differenzen in Bezug auf die öffentlichen Ausgaben, das öffentliche Finanzwesen und die makroökonomische Leistung auf. Die Folgen des Ausstiegs in diesen Bereichen variieren jedoch zwischen den Ländern. Zum Beispiel blieben Reformen im öffentlichen Finanzwesen im Falle Ruandas stabil, während es in Uganda und Sambia zu Rückschlägen kam, aber in Malawi der mögliche Wiedereinstieg in die Budgethilfe Anreiz für Reformen schuf. Insgesamt nimmt der Reformfortschritt im öffentlichen Finanzwesen mit dem Wegfall von externer Beeinflussung ab. Bei der Bereitstellung öffentlicher Leistungen und Nicht-Einkommensarmut sind die Auswirkungen des Ausstiegs weniger deutlich, da die Evidenzbasis vor und nach dem Ausstieg nicht ausreichend ist (siehe Figure 1).

Schlussfolgerungen

Die Exit-Evaluierung zeigt, dass der umfassende und oftmals ungeplante Ausstieg von Gebern aus der allgemeinen Budgethilfe in den vier Fallstudienländern einen Großteil der meist positiven Effekte der Budgethilfe zunichtemachte. Die Ergebnisse zeigen auch, dass der Ausstieg und die damit verbundenen Veränderungen in den EZ-Portfolios Konsequenzen haben, die weit über die reine Aussetzung oder Reprogrammierung finanzieller Unterstützung für Partnerregierungen hinausgehen: die Beziehungen zwischen Gebern und Partnerregierungen sowie zwischen den Gebern werden durch den Ausstieg erheblich negativ beeinträchtigt, was wiederum negativ auf die Qualität und Effektivität der EZ in den Fall-Ländern wirkt.

Figure 1 Vergleich der Ergebnisse der Evaluationssynthese (links) mit der Exit-Evaluierung (rechts)



Quelle: Eigene Darstellung, Icons von Dave Gandy, www.flaticon.com.

Hinweis: Die Pfeile zeigen die Richtung und das Ausmaß der Effekte an. Senkrecht nach oben / unten weisende Pfeile zeigen einen stark positiven / negativen Effekt an. Diagonale Pfeile zeigen an, dass der Effekt überwiegend positiv / negativ ist. Waagerechte Pfeile zeigen an, dass es dort keine oder gegenläufige Effekte gab. Die Schattierung der Balken geben Auskunft über die Qualität der Evidenzbasis, von gut (blau), mittel (stark schraffiert) bis schwach (schwach schraffiert).

Die Evaluierung zeigt zudem eine deutliche Verschlechterung der Geber-Koordinierung und -Harmonisierung in den vier Fallstudienländern auf. Die Fragmentierung der EZ-Portfolios stellt eine Rückkehr zu alten Mustern dar, die z.T. zur Einführung von Budgethilfe geführt hatten. Projektansätze sind die vorherrschende Modalität in bilateralen EZ-Portfolios, gebergemeinschaftliche Ansätze hingegen sind selten und oftmals auf wenige Bereiche und Programme beschränkt. Gleichzeitig sind gebergemeinschaftliche Ansätze weiterhin erklärtermaßen die bevorzugte Modalität der Partnerregierungen, um externe Unterstützung für ihre Entwicklungsstrategien und -politiken zu erhalten. Die negativen externen Effekte und Kosten einer hohen Fragmentierung der EZ erschweren es den Gebern, auf systemische und übergeordnete Regierungsfragen einzuwirken und die Eigenverantwortung der jeweiligen Partnerregierung zu fördern.

Als eine direkte Folge der Fragmentierung sank der Gebereinfluss auf die strategische Politikgestaltung und Reformagenden der Partnerregierungen. Darüber hinaus brach nicht nur der Dialog auf hoher politischer Ebene nach dem Ausstieg ab, sondern es verschlechterte sich auch die Qualität des Dialogs auf technischer Ebene als Folge des Ausstiegs.

Die Beteiligung von Gebern in Politikformulierung und –monitoring der Partnerregierungen sank durch den Ausstieg aus der Budgethilfe. Verstärkt durch den Wegfall der gegenseitigen Rechenschaftspflicht führte dies zu vermindertem Reformwillen der Partnerregierungen. Geber mit großer Finanzkraft haben größeren Einfluss als kleinere Geber, aber das Ausmaß variiert erheblich und hängt in erster Linie von der Höhe der finanziellen Beiträge der Geber ab bzw. von der zentralen Rolle des Gebers bei der Erbringung von Dienstleistungen, zum Beispiel im Gesundheitswesen.⁸

⁸Nur im Falle des sehr von der EZ-Hilfe abhängigen Malawis brachte die Möglichkeit einer Wiedereinführung der allgemeinen Budgethilfe genügend Impulse um Reformen voranzutreiben. In den anderen drei Ländern gingen die Reformanstrengungen weiter, waren aber nicht dem Einfluss der Geber zuzuschreiben.

Im Durchschnitt machte Budgethilfe lediglich 10% der EZ-Zusagen (*Official Development Assistance*) der OECD-DAC-Geber aus. Dennoch wurden durch die Modalität positive Effekte in einer Reihe entwicklungs- politisch relevanter Bereiche erzielt (z.B. öffentliche Ausgaben, öffentliches Finanzwesen, Umfang bereit- gestellter öffentlicher Dienstleistungen und innerstaatliche Rechenschaftspflicht). Die Modalität schaffte zudem formalisierte Strukturen für den Politikdialog und Rahmenbedingungen für gegenseitige Rechen- schaftspflicht (Orth *et al.*, 2017). Andere Hilfsmodalitäten, die einen weitaus größeren Anteil der ODA aus- machen, haben kaum ähnliche Erfolge auf systemischer Ebene aufzuweisen bzw. keine ähnlichen Erfolge bei vergleichbaren Kosten erreicht. Mit dem Ausstieg aus der allgemeinen Budgethilfe brachen die so etablier- ten Strukturen jedoch größtenteils zusammen und der Großteil der positiven Wirkungen der Budgethilfe wurde negativ beeinträchtigt bzw. teils vollständig revidiert, obwohl die Gesamthöhe der EZ-Zahlungen na- hezu konstant blieb. Die EZ-Portfolios der Geber sind seit dem Ausstieg aus der allgemeinen Budgethilfe stärker fragmentiert und schaffen offenbar keinen ausreichend großen Anreiz, um ähnlich formalisierte Strukturen für den Politikdialog und die gegenseitige Rechenschaftspflicht wie unter der Budgethilfe auf- recht zu erhalten.

Diese Entwicklungen stehen im Widerspruch zu den kürzlich verabschiedeten Agenden und Zielen der EZ, wie z.B. dem vierten hochrangigen Forum zur Wirksamkeit der Entwicklungszusammenarbeit (OECD DAC, 2011), den Zielen für nachhaltige Entwicklung (SDG 17) (UN, 2017) und der Aktionsagenda von Addis Abeba zur Entwicklungsfinanzierung (UN, 2015). Diese Dokumente unterstreichen die Notwendigkeit von inklusiven Partnerschaften, mehr Eigenverantwortung der Partnerregierungen und stärkerer Ausrichtung der Ent- wicklungsstrategien am Partnerland.

Einzelne Geberstrategien, wie z.B. Deutschlands ‚Marshallplan mit Afrika‘, bestätigen ebenso die Notwen- digkeit „zu einer gemeinsamen, internationalen Strategie und einem abgestimmten Vorgehen [zu] kom- men“ (BMZ, 2017, p. 13) und damit die Harmonisierung zwischen Gebern und die Eigenverantwortung der Partnerländer zu fördern.

Vor diesem Hintergrund scheint es sehr unwahrscheinlich, dass Geber in der Lage sein werden, diese ehr- geizigen Ziele und Prinzipien einzuhalten, ohne sich wieder verstärkt gemeinsamen integrierten Ansätzen der Entwicklungszusammenarbeit zur Unterstützung partnereigener Strategien und Politiken zuzuwenden.

Empfehlungen

1 Das BMZ und andere bi- und multilaterale Geber sollten (wieder) gemeinsam integrierte politik- basierte Ansätze zur Unterstützung der Entwicklungsstrategien der Partner nutzen.

Das BMZ und andere bi- und multilaterale Geber sollten sich (wieder) an Ansätzen beteiligen, die die nati- onalen Entwicklungspläne und Strategien zur Armutsbekämpfung der Partnerregierungen gemeinschaftlich und durch integrierten Instrumenteneinsatz unterstützen. Dies würde die Eigenverantwortung der Partner- regierungen und die Ausrichtung der Geberprogramme an politischen Strategien der Partner stärken und damit eine auf Politiken der Partner gestützte Vorgehensweise fördern. Diese Ansätze sollten die gesamte Bandbreite der EZ-Instrumente in einem integrierten Ansatz kombinieren.

Um die Agenda 2030 sowie bilaterale Geberstrategien, wie zum Beispiel Deutschlands „Marshallplan mit Afrika“ umzusetzen, die ein koordiniertes und gemeinsames Vorgehen vorsehen, sollten diese gemeinsa- men politikbasierten Ansätze vom BMZ und anderen bi- und multilateralen Gebern verstärkt genutzt wer- den.

1a Das BMZ und andere bi- und multilaterale Geber sollten die Ansätze zur integrierten Bereitstel- lung von Finanzierung, Technischer Zusammenarbeit, Politikdialog und gegenseitiger Rechen- schaftspflicht so gestalten, dass eine gemeinsame koordinierte Umsetzung gewährleistet wird.

Die Ergebnisse dieser Evaluierung bestätigen die vorhandene Evidenz, die besagt, dass die Kombination von finanziellen und nicht-finanziellen Beiträgen im Rahmen der Budgethilfe zu wichtigen Entwicklungsergeb- nissen führt. Zukünftige EZ-Modalitäten sollten daher mindestens die folgenden Komponenten umfassen und integriert einsetzen:

- Formalisierte Dialogstrukturen
- Technische Zusammenarbeit und Kapazitätsaufbau, um Engpässe in den Partnersystemen zu adressieren, die eine effektive Formulierung und Umsetzung von Politiken und Reformen behindern. Die Zusammenarbeit mit den Partnerregierungen über die Beseitigung dieser Engpässe kann einerseits wesentliche Informationen hervorbringen, die den gemeinsamen Politikdialog befördern können. Gleichzeitig dient der Politikdialog dazu, die Technische Zusammenarbeit gezielter auf die Bedürfnisse des Partners ausrichten zu können und ihre Akzeptanz zu erhöhen.
- Regeln für gegenseitige Rechenschaftspflicht, um die Koordinierung zwischen Gebern bei der Entscheidungsfindung zu erhöhen. Gleichzeitig erlauben diese Regeln der Partnerregierung, ihre Verpflichtungen besser bewältigen zu können.

Außerdem sollte ein integrierter Ansatz fest auf den Prinzipien der Harmonisierung, Koordinierung und gemeinsamer Planung und Umsetzung beruhen.

1b Um die Effektivität einzelner Komponenten dieser integrierten Ansätze zu erhöhen, sollten die Geber und Partner daran arbeiten, die Evidenzlücken hinsichtlich der Wirkung einzelner Komponenten zu schließen.

Die Evidenz zur Wirksamkeit von Budgethilfe zeigt, dass die Bestandteile von Budgethilfe-Programmen als Gesamtpaket positive Effekte mit sich bringen. Allerdings liegen weniger Erkenntnisse darüber vor, wie genau die einzelnen Komponenten wirken und damit auch darüber, wie deren Effektivität erhöht werden könnte. Zukünftige empirische Arbeiten sollten sich daher auf die Analyse kausaler Mechanismen der Teilkomponenten konzentrieren, so dass integrierte politikbasierte Ansätze entwickelt werden können, die effektiver als bisherige allgemeine Budgethilfeprogramme sein können.

2 BMZ, KfW, GIZ, andere bi- und multilaterale Akteure und Partnerregierungen sollten Strategien für einen koordinierten und sorgfältig gesteuerten Ausstieg aus integrierten politikbasierten Ansätzen wie der Budgethilfe entwickeln. Dies ist insbesondere relevant, wenn z.B. aufgrund einer Verletzung der *underlying principles* ein plötzlicher und ungeplanter Ausstieg für erforderlich gehalten wird.

Das Ziel einer Ausstiegsstrategie sollte sein, einen koordinierten und strukturierten Ausstieg zu gewährleisten, um die Nachhaltigkeit der bisher erzielten Effekte nach Programmende sicherzustellen und negative Auswirkungen des Ausstiegs zu minimieren. Ein solcher Ausstieg sollte gleichzeitig so organisiert werden, dass das mit dem Ausstieg beabsichtigte politische Signal nicht abgeschwächt wird. Etablierte Prozesse und Strukturen, vor allem der Politikdialog und die Regelungen zur gegenseitigen Rechenschaftspflicht, sollten auch nach einem Ausstieg jedoch weitergeführt werden.

2a Auch während des Ausstiegs aus politikbasierten Ansätzen sollten das BMZ, andere bi- und multilaterale Geber und Partnerregierungen den Politikdialog weiterführen.

Eine frühzeitige Kommunikation mit Interessenvertretern und ihre Beratung und Beteiligung, insbesondere der Partnerregierungen, zur Sicherstellung eines koordinierten Geberausstiegs ist während des Ausstiegsprozesses entscheidend. Der Politikdialog ist zwar formell an politikbasierte Modalitäten wie die Budgethilfe gebunden, jedoch kann ein Dialog inhaltlich und konzeptionell auch unabhängig von der Modalität erfolgen, um Indikatoren und Ziele der nationalen Entwicklungsstrategie des Partners aufzugreifen.

Ohne integrierte politikbasierte Ansätze wie die Budgethilfe fehlt jedoch das verbindende Element zwischen dem politischen und technischen Dialog. Das BMZ und andere bi- und multilaterale Geber sollten daher sicherstellen, möglicherweise durch Benennung eines den Dialog-führenden Gebers, dass der Dialog auf beiden Ebenen auf koordinierte Weise weitergeführt wird.

2b Während des Ausstiegs aus integrierten politikbasierten Ansätzen sollten das BMZ, andere bi- und multilaterale Geber und Partnerregierungen sicherstellen, dass die Regelungen zur gegenseitigen Rechenschaftspflicht weiterhin in Kraft bleiben.

Regelungen zur gegenseitigen Rechenschaftspflicht (z.B. *Performance Assessment Framework*) helfen bei der Definition von Verantwortlichkeiten und Zielen während des Ausstiegsprozesses. Das kann dabei helfen, negative Auswirkungen des Ausstiegs zu minimieren.

2c Das BMZ und andere bi- und multilaterale Geber sollten bereit sein, mit kurzfristigen Sofortmaßnahmen akuten Finanzierungslücken, besonders in den sozialen Sektoren, zu begegnen.

Ein plötzlicher Ausstieg aus der Budgethilfe - bspw. aufgrund einer Verletzung der *underlying principles* - oder ähnlichen Modalitäten kann bedeuten, dass die Partnerregierung kurzfristig nicht in der Lage ist, unverzichtbare Ausgaben zu leisten, wie z.B. für Medikamente oder die Stromversorgung in Krankenhäusern. In solchen Fällen sollten die Geber bereit sein, Sofortmaßnahmen zum Ausgleich dieser Finanzierungslücken zu ergreifen. Über eine effektive Zweckbindung der Maßnahmen muss gleichzeitig verhindert werden, dass das politische Signal des Ausstiegs aus der Modalität abgeschwächt wird. Beispielsweise könnten Geber gemeinsame Kompensations-Fonds einrichten (etwa geberübergreifend für das jeweilige Land oder länderübergreifend für den jeweiligen Geber), mit denen diese Ausgaben - nicht zwingend über Regierungskanäle - finanziert werden können.

EXECUTIVE SUMMARY

Background

By the turn of the millennium, the international community had begun to realize that to be effective development cooperation needed to take a multilevel and multidimensional approach, which should respect and implement a number of core principles such as country ownership, coordination and mutual accountability. These principles were formulated in the 2005 Paris Declaration on Aid Effectiveness (OECD DAC, 2005) and elsewhere in response to lessons learned from more than five decades of development cooperation. A consensus emerged in the international community that effective approaches to development cooperation had to bridge the gap between macro- and microlevel interventions by using the full range of instruments available (i.e. financial support, technical assistance, policy dialogue, and conditionality). Further, they should comply with the Paris principles of ownership, alignment, harmonization, mutual accountability and managing for results.

These lessons were interpreted by the international community to imply that a new and more effective approach to development cooperation had to be in the form of an integrated application of financial and technical support in tandem with high-level political and policy dialogue, which would ensure mutual accountability of donors and partner governments. One approach to implement this form of integrated policy-based development cooperation was in the form of multi-donor general budget support (GBS), which soon evolved into arguably the most prominent, but also most heatedly debated aid modality, in the 2000s.⁹ It is an aid modality, often provided by multiple development partners,¹⁰ to jointly support the partner government's national poverty-reduction strategy and national development plan. It finances a partner country's budget through a transfer of resources into the general budget (GBS) or for specific sectors – so-called sector budget support (SBS)¹¹. This financial input is supplemented by policy dialogue, conditionality, technical assistance and capacity development – the non-financial inputs. Policy dialogue addresses overarching issues such as budget decisions at a high political level. The conditionality consists of the underlying principles and the Performance Assessment Framework (PAF). Underlying principles, for example, include macroeconomic stability or policies with respect to democratic principles and human rights. The PAF is developed in collaboration with the partner government to measure the reform progress. Capacity development provides technical assistance on issues addressed through budget support, such as public financial management (PFM) or domestic accountability.

Budget support was considered best suited to implement the principles for effective aid and to avoid its fragmentation. Between 2006 and 2010, European donor countries alone (either bilaterally or through the European Commission) provided some EUR 15.5 billion in budget support to partner countries (Orth *et al.*, 2017). According to the modality's intervention logic, budget support was expected to reduce transaction costs and increase the predictability of aid flows. It would also maintain national sovereignty because policy reforms are autonomously developed and not dictated by donors, which was a common criticism of structural adjustment programmes. In this way, the government is held accountable to the citizens through budget decisions and to donors based on the PAF. A number of evaluations and synthesis studies provided evidence that budget support indeed positively supports important development outcomes, e.g. increases in pro-poor spending and improvements in public financial management.

Despite its benefits and successes, donors started to suspend and exit from GBS around 2010 due to scandals in the recipient countries and accountability pressures at home. Owing to a shift towards more

⁹ In a parallel development, aid donors such as Germany also had begun to implement a much more holistic – or 'multilevel' – approach to project-based aid by combining interventions at micro-, meso- and macrolevel in order to bridge the diagnosed gaps between earlier approaches.

¹⁰ The European Commission and the European Member States often provided joint or multi-donor budget support, while the World Bank, IMF and some bilateral donors provided budget support also as a single donor.

¹¹ See Annex 2 for a glossary on budget support terminology.

conservative governments in the donor countries and corruption scandals, political setbacks, macroeconomic destabilization and human rights violations in various recipient countries, the appetite for budget support started to decline. By 2013, nearly all bilateral donors had stopped their GBS programmes.

Objective – evaluation questions

The aim of this evaluation is to understand whether effects of budget support¹² are robust against the exit from this modality and to understand how the aid portfolios are changing after the exit. The consequences of ending aid for sustaining development effects have only recently started to gain attention, and potential effects of the exit from aid modalities on programme results remain generally under-researched. The two central questions for this evaluation are:

- How do aid portfolios and the relationship between donors and partners change in the context of ending GBS?
- Are proven effects of budget support robust against the exit from the modality?¹³

The target audience of this evaluation is policymakers in Germany and other donor countries, bilateral and multilateral donors, as well as implementing agencies.

Methodology

This theory-based evaluation uses a comparative case study design, complemented by an innovative process tracing approach. Comparative case study designs are known to be comprehensive and suitable to evaluate complex interventions, but weaker regarding testing causal attributions. To address this limitation the method of this evaluation, the team augmented it with process tracing. Process tracing breaks the causal channel into smaller ‘pieces’ which are then easier to test. It is an approach particularly suited to answer ‘if’ and ‘how’ questions and provides higher confidence in the attribution of the effect.

The evaluation team selected Malawi, Uganda, Rwanda and Zambia as case study countries. The team collected evidence through semi-structured interviews, tailored-made budget analysis, administrative data and country reports in these countries. The team conducted 106 interviews with 145 representatives of the partner government, donors and civil society organizations (CSOs). Local consultants created custom-made budget analysis so that access to budget data was possible. The country cases were selected in a two-step criteria-based process. In combination with a previous evaluation that synthesized the literature on the effects of budget support (Orth *et al.*, 2017), a before-and-after exit comparison of budget support effects is possible. (Orth *et al.*, 2017).

Results

The exit occurred between 2012 and 2014 in the four case study countries in response to breaches budget support conditionality (underlying principles). ‘Exit’ is defined as a suspension of more than one budget support cycle – usually a fiscal year – by several donors, so that suspensions can be differentiated from single delays in payment. In Malawi, a massive theft of public funds, known as the Cashgate scandal, led in 2013 to the exit of all donors. Donors suspended their GBS in Rwanda after a United Nations (UN) report exposed Rwanda’s support of a Tutsi rebel movement in Democratic Republic of Congo (DRC). In Uganda, a corruption scandal in the Office of the Prime Minister triggered the exit of all donors. In Zambia, the exit was a gradual process that occurred in response to declining performance in the PAF indicators and corruption scandals. All these cases had in common that a breach of the underlying principles of budget support served as a justification for the exit. Under these circumstances, a trustful cooperation with the

¹² In this evaluation report, the term ‘effect’ integrates all budget support results on output, induced output, outcome and impact level of the budget support intervention logic.

¹³ The evaluation team employs a narrow definition of sustainability from the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD DAC) criteria for evaluating development assistance. According to this definition, sustainability is achieved if the benefits of a programme or project ‘continue after donor funding ceased’ (OECD DAC, 1991:2).

partner governments was no longer possible. Political factors and declining appetite for budget support might have spurred a fast exit.

The importance of GBS for the national budgets was high in all four countries, as it expanded the fiscal space for governments; the exit from the modality therefore had noticeable financial consequences. In 2010, GBS covered at least 5% of the central government expenditure in all four countries; in Malawi, this value was as high as 21%. By 2014, the share of GBS in the budget had virtually become zero in all four countries.

Policy dialogue

The exit from multi-donor GBS has weakened the policy dialogue between donors and partners, leading to a strongly reduced or absent exchange of ideas at a high political level. The high-level policy dialogue collapsed and the dialogue shifted to a technical level. This absence of a high-level political dialogue not only led to fewer opportunities for dialogue but also impaired the quality of the dialogue at the technical level. In addition, government involvement in donors' programmes declined and the influence of donors on policies was minimal or not structured.

Harmonization

During the GBS period, harmonization increased,¹⁴ but since the exit, donor harmonization declined across all studied countries and donor approaches and programmes became more fragmented. Aid became fragmented as joint funding or programme-based approaches¹⁵ only occurred in few sectors, in spite of the governments' preference for such approaches. The high fragmentation in donors' aid portfolio and re-bilateralization of development cooperation is problematic because it undermines aid effectiveness.

Public expenditure

Potentially poverty-relevant sectors (i.e. health, education and agriculture) received a lower share of the total budget after the exit from GBS in the case study countries, except for Zambia. The change in the budget composition was caused by policy changes towards productivity growth in the case of Uganda and Rwanda and huge debt service obligations in the case of Malawi. In Zambia, the share of public expenditure remained constant since the exit. One explanation, but possibly not the only one, for this exception is that ongoing election campaigns throughout the 2014-2016 period created an incentive to keep the expenditure high.

Public financial management

The exit from GBS and the resulting need for action led to increases in PFM reform efforts in Malawi, while the PFM reform efforts declined in Zambia and Uganda in consequence of the exit. In Rwanda, PFM reform efforts were not influenced by the exit from GBS. In Malawi, the scandal leading to the exit from GBS and the potential relaunch of budget support given the fulfilment of conditionality, caused internal and external pressure. This internal and external pressure led to improvements of the PFM system. For Uganda and Zambia, the omission of external pressure as a consequence of the exit from GBS led to a deterioration of the PFM reform efforts. The Rwanda government continues to regard PFM as a key governance tool and is the main driver of the reform regardless of the exit from GBS.

¹⁴ The increase in harmonization, however, was not as high as expected (Orth *et al.*, 2017).

¹⁵ The Organization for Economic Co-operation and Development (OECD) Development Assistance Committee (OECD DAC) defines PBA as 'a way of engaging in development co-operation based on the principles of co-ordinated support for a locally owned programme of development, such as a national development strategy, a sector programme, a thematic programme or a programme of a specific organisation' (OECD DAC, 2008, p. 148).

Domestic accountability and budget transparency

The exit from GBS led to a decrease in domestic accountability in Uganda and Zambia, while the incentive for a potential relaunch of budget support caused higher domestic accountability efforts in Malawi. The exit from GBS reduced the pressure from external actors, particularly donors, on the compliance with domestic accountability requirements. The exit also negatively affected the demand-side in Uganda and Zambia as the influence of CSOs and parliament on budget decisions decreased in consequence of the exit. In Malawi, the scandal and a possible re-entry into GBS given the fulfilment of preconditions led to sufficient pressure to slightly increase domestic accountability.

Budget transparency improved in all four countries if measured by the quantity of published documents. However, the quality of the provided information decreased due to the exit from GBS. The quality and relevance of budget information in Rwanda, Uganda and Zambia declined due to a lack of access to accurate budget expenditure data or easy-to-interpret data in consequence of the exit. In Malawi, efforts to fulfil the conditionality linked to the possible relaunch of GBS led to the removal of the backlog in audit reports, which helped to improve the basis for future budget transparency and hence the quality of the provided information.

Service delivery and non-income poverty

Results for service delivery are mixed since the exit from GBS, ranging from negative over negligible effects to slightly positive effects, but are from a thin data base and do not allow for conclusions on causality. For Malawi and Zambia, the few available statistics on education service delivery hint towards a negative development after the exit. In Uganda, results for education are diverging depending on the indicator and in Rwanda service delivery in health and education is improving.

Non-income poverty has so far been robust to the exit from GBS, but data on non-income poverty is only available up until 2015, and long-term effects are not yet visible. It appears that changes in poverty-relevant public expenditure due to the exit only had a negligible or no effect on non-income poverty thus far.

Macroeconomic performance

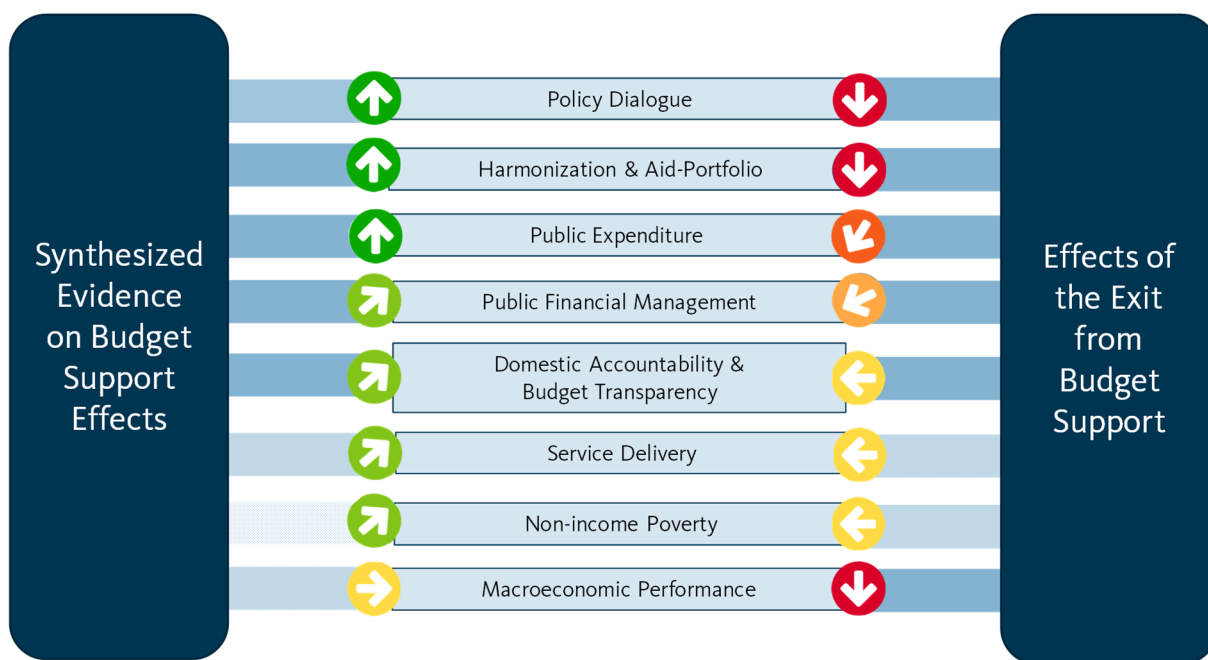
In all four countries, the gross domestic product (GDP) growth declined in the short run due the exit and the level of debt increased to offset the shortfall in multi-donor GBS payments. The annual GDP growth rates fell in all countries (except for Malawi) following the exit in 2012 and 2013 and reached growth rates close to the sub-Saharan average, while in previous and subsequent years the growth rates had been much higher than the regional average. The GDP growth rates recovered quickly if the government took adequate measures. The common response to the exit from GBS was to increase domestic borrowing to substitute the GBS payments. Only Zambia expanded external financing after the exit. For the highly aid-dependent Malawi (15% of the budget was financed through GBS in the year before the exit), the debt increase created extremely high debt service costs, which crowded out other public investment. Fiscal adjustment, that is, decreasing expenditure and/or increasing revenues, helped Rwanda and Uganda to minimize the fiscal deficit and recover quickly after the exit. Malawi and Zambia accumulated high fiscal deficits and their GDP growth remained low.

Robustness of effects

The analysis, based on the combination of the comparative case study design and process tracing, shows that the exit from GBS led to negative developments in most policies and structures that had benefited from the introduction of GBS. The consequences of the exit from GBS are most pronounced for a decrease in harmonization, higher fragmentation of the aid portfolio and weakened policy dialogue. Effects of budget support during the budget support period are consistently positive, whereas after the exit these effects became negative in all of the four case studies. The analysis further shows large differences for public expenditure, PFM and macroeconomic performance; but for these areas, the outcomes after the exit vary between the countries. For example, PFM remained constant in the case of Rwanda, while Uganda

and Zambia experienced a decline and the possible relaunch of GBS in Malawi stimulated the reform effort. Overall, the PFM reform effort decreased due to a lack of external pressure since the exit. For service delivery and non-income poverty, the repercussions are less clear, because the evidence base before and after the exit is not sufficient (see Figure 2).

Figure 2 Comparison of results of the evaluation synthesis (left) with the exit evaluation (right)



Source: own, icons provided by Dave Gandy from www.flaticon.com.

Note: The arrows indicate the effect direction and effect magnitude. Arrows facing vertically up/down indicate a strong positive/negative effect. Diagonal arrows indicate that the effect is predominantly positive/negative. Horizontal arrows indicate that there were no or contradictory effects. The shading of the bars indicated the quality of the evidence base from good (solid), medium (darker shade) to weak (lighter shade).

Conclusions

This evaluation finds that the broad and mostly unplanned exit from multi-donor GBS in the four case study countries undid most positive effects associated with the provision of budget support in those countries. The findings also show that the exit from multi-donor GBS and the associated changes in aid portfolios have implications that reach far beyond the mere suspension or reprogramming of financial support for partner governments: the exit negatively affects the overall relationship between donors and partner governments as well as between donors and thus the overall quality and effectiveness of development cooperation in those countries.

The evaluation observes a substantial deterioration of donor coordination and harmonization across the four case studies, with an almost full reversal to levels of aid fragmentation that most development experts on both sides of the aid relation had believed to be a thing of the past. Stand-alone project-type funding is the prevailing modality in bilateral aid portfolios. Joint funding, in turn, is rare and limited to a few sectors and programmes, despite budget support still being the preferred modality for partner governments to receive external support for their development strategies and policies. The negative externalities and costs of high fragmentation of aid make it difficult for donors to create ownership of the partner government and to address systematic and broader governance issues. As a direct consequence of this, there was a substantial decrease in donors' influence on partner governments' strategic policy formulation and reform agendas.

The diminished involvement of donors in policy planning and monitoring, in combination with the absence of a framework for mutual accountability since the exit, translates into a more limited reform commitment of partner governments to combat poverty. Large providers of external assistance still have some leverage,

but the extent of this varies substantially and hinges primarily on the amount of the donors' financial contributions or the donors' central role in the provision of services, for example in health.¹⁶

Budget support on average only accounted for 10% of official development assistance (ODA) across all DAC donor countries. Yet it achieved positive effects in a number of important areas for development (including public expenditure, PFM, service delivery quantity and the supply-side of domestic accountability); managed to create formalized structures for policy dialogue; and established a framework for mutual accountability (Orth *et al.*, 2017), which other aid modalities that account for much larger shares of ODA have not been able to achieve in a similar way and at comparable cost. With the exit from GBS, although the total level of aid receipts remained constant in most countries, the established structures largely disappeared and the majority of positive achievements of budget support were negatively affected or even reversed. Donors' aid portfolios are more fragmented since the exit from GBS and apparently do not provide sufficient incentive to maintain similar formalized structures for policy dialogue and mutual accountability.

These developments are at odds with recently adopted agendas, including the Fourth High Level Forum on Aid Effectiveness (OECD DAC, 2011), the Sustainable Development Goals (SDG 17) (UN, 2017) and the Addis Ababa Action Agenda on financing the SDGs (UN, 2015), underscore the need of inclusive partnerships, enhanced ownership of partner governments and stronger alignment of strategies.

Individual donor strategies, such as Germany's 'Marshall Plan with Africa' – also acknowledge the need to 'develop a common, international strategy and take a coordinated approach' (BMZ, 2017, p. 13) and thus aim to increase harmonization among donors and ownership of the partner countries.

It seems highly unlikely that donors will be able to live up to the ambitious goals and principles formulated in these agendas unless they jointly re-engage in integrated approaches to development cooperation.

Recommendations

1 Bilateral and multilateral donors should jointly (re)engage in integrated policy-based approaches to support partner development strategies.

Bilateral and multilateral donors should (re)engage in joint approaches that support the national development plans and poverty-reduction strategies of the partner government to ensure ownership and better alignment of donors' programmes to these strategies, thus being policy based. The approaches should combine the whole spectrum of instruments in an integrated approach.

The global agenda 2030 as well as individual donors' strategies, such as Germany's Marshall Plan with Africa, that focus on coordination and concerted action will have to rely on such joint policy-based approaches to be successfully implemented.

1a Bilateral and multilateral donors should design such approaches around the integrated provision of funding, technical assistance, policy dialogue and mutual accountability that ensure jointly coordinated implementation.

The findings from this exit evaluation support the existing evidence that the integrated mix of inputs as is provided through budget support lead to important developmental outcomes. Future aid modalities should thus integrate at least the following inputs:

- A formalized dialogue.
- Targeted technical assistance and capacity development that addresses the main bottlenecks in partner systems that hinder the effective formulation and implementation of policies and reforms. Technical assistance and policy dialogue generate important synergies. On one hand, working with partner governments on the bottlenecks generates important information that feeds into the joint

¹⁶ Only in the case of highly aid-dependent Malawi did the possibility of a relaunch of GBS provide sufficient incentives to push for reforms. In the other three countries, reform efforts continued, but were not attributable to donor influence.

policy dialogue, and on the other hand, the policy dialogue strengthens the targeting and acceptance by partners of the technical assistance activities.

- A framework for mutual accountability that serves to enhance donors' coordination in decision making. At the same time, this framework allows the partner government to predict the volume of disbursements and assume its responsibilities.

Furthermore, any such integrated approach should be based on the principles of harmonization, coordination, and joint planning and implementation.

1b In order to improve the design of such integrated approaches and its' individual components, donors and partners should invest in closing evidence gaps regarding the effectiveness of individual inputs.

While evidence strongly suggests that the described 'package' of inputs works to produce important development outcomes, there is less understanding how exactly the individual inputs work together and, therefore, how to improve this interaction. Future empirical work should thus focus on the analysis of causal mechanisms for specific inputs so that integrated policy-based approaches can be designed to be even more effective than previous GBS programmes.

2 Bilateral and multilateral donors together with partner governments should develop strategies for the coordinated and carefully managed exit from integrated policy-based approaches such as budget support, even and especially for those cases when a sudden and unplanned exit is warranted, e.g. due to a breach of underlying principles.

The goal of an exit strategy should be to structure a coordinated exit, ensure sustainable programme effects even after the programme ends, and minimize negative repercussions of the exit. Such an exit should be organized as a coordinated withdrawal of donors and without diluting the political signal intended with the exit. Established processes and structures, most importantly the policy dialogue and the arrangements for mutual accountability, should be continued.

2a Throughout the exit from integrated policy-based approaches, bilateral and multilateral donors and partner governments should continue the policy dialogue.

Early communication, consultation and involvement of stakeholders – most importantly of the partner government – is crucial throughout the exit to ensure a coordinated retreat of donors. The policy dialogue was formally tied to policy-based modalities such as budget support, but content-wise and on a conceptual level, the dialogue can take place independently of the modality. It could serve to discuss aims and indicators of the national development strategy.

However, without integrated policy-based approaches such as budget support, the connectional element in the policy and technical dialogue is lacking. Bilateral and multilateral donors, possibly by nominating a lead donor, have to ensure that dialogue at the policy and technical levels continues in a coordinated manner.

2b Throughout the exit from integrated policy-based approaches, bilateral and multilateral donors and partner governments should ensure that arrangements for mutual accountability remain in place.

To minimize negative repercussions of the exit, the arrangements for mutual accountability (e.g. a Performance Assessment Framework) help to define responsibilities and targets throughout the exit.

2c Bilateral and multilateral donors should be prepared to adopt immediate, short-term measures to deal with acute shortfalls in indispensable spending, particularly in the social sectors.

Where the sudden exit from budget support (e.g. because of a breach of underlying principles) or similar modalities means that the partner government would in the short run not be able to fund crucial expenditures, such as for medication and electricity in hospitals, bilateral and multilateral donors should be prepared to adopt immediate measures to counterbalance these shortfalls in indispensable spending. Through effective earmarking this should be done in a way as not to dilute the political signal intended to be given

with the exit. This might imply that donors would need to jointly build compensation funds (either jointly at the country level or across countries) from which to fund such expenditure, not necessarily through government channels.

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ABBREVIATIONS

AfDB	African Development Bank
BMZ	German Federal Ministry for Economic Cooperation and Development
BS	budget support
BT	budget transparency
CABS	common approach to budget support
CEF	comprehensive evaluation framework
CRS	creditor reporting system
CSO	civil society organization
DA	domestic accountability
DAI	domestic accountability institutions
DEval	German Institute for Development Evaluation
DFID	UK Department for International Development
DPCG	development partners cooperation group
DRC	Democratic Republic of Congo
EC	European Commission
EU	European Union
FDI	foreign direct investment
FINMAP	financial management and accountability programme
FISP	farm input subsidy programme
GBS	general budget support
GDP	gross domestic product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GNI	gross national income
GoM	Government of Malawi
GoR	Government of Rwanda
GoU	Government of Uganda
GRZ	Government of the Republic of Zambia
HLAM	high-level action matrix
IFMIS	integrated financial management information system
IMF	International Monetary Fund
JBSF	joint budget support framework
KfW	Kreditanstalt für Wiederaufbau
LMIC	lower-middle-income country
MDBS	multi-donor budget support
MINECOFIN	Ministry of Finance and Economic Planning, Rwanda
MoF	Ministry of Finance, Zambia
MoFEPD	Ministry of Finance, Economic Planning and Development, Malawi
MoFPED	Ministry of Finance, Planning and Economic Development, Uganda

MP	member of parliament
NAO	National Audit Office
NGO	non-governmental organization
OAG	Office of the Auditor General
ODA	official development assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OECD DAC	OECD Development Assistance Committee
PAF	performance assessment framework
PBA	programme-based approach
PE	public expenditure
PEFA	public expenditure and financial accountability
PFM	public financial management
SAI	Supreme Audit Institution
SAP	structural adjustment programme
SBS	sector budget support
SDG	Sustainable Development Goal
SWG	sector working groups
TA/CD	technical assistance/capacity development
TASU	Technical and Administration Support Unit
UGX	Ugandan Shilling
UK	United Kingdom
UN	United Nations
UNICEF	United Nations Children's Fund
US	United States
USD	US Dollar
WHO	World Health Organization

1 INTRODUCTION

By the turn of the millennium, the international community had begun to realize that for development cooperation to be effective, it had to take a multilevel and multidimensional approach, and respect and implement a number of core principles such as country ownership, coordination and mutual accountability. These principles were formulated in the 2005 Paris Declaration on Aid Effectiveness (OECD DAC, 2005) and elsewhere.

Earlier approaches to development cooperation had attempted to overcome the multidimensional development challenges in poor countries from two angles. First, by intervening through project-type interventions aimed at tackling financial and technical resource constraints at individual or institutional level, which held back the poor from engaging in more productive economic activities. Second, by providing support at a macrolevel (in particular through so-called structural adjustment programmes) in order to rectify economic fundamentals and foster economic growth in the hope that economic gains would ‘trickle down’ to the general population in the medium run.

Both approaches had limited success in bringing about sustainable large-scale socioeconomic development in aid recipient countries. The blame for this was soon laid at the highly fragmented donor landscape that had emerged over the decades as a result of these approaches being applied in isolation by each donor country. It was further criticized that each approach failed to take the multidimensional and multilevel nature of development challenges sufficiently into account and involved only a limited set of instruments; and that both approaches had largely failed to respect the aforementioned principles. In extension of this insight, a consensus emerged in the international community that effective approaches to development cooperation had to do both. They should bridge the gap between macro- and microlevel interventions by using the full range of instruments available (i.e. financial support, technical assistance, policy dialogue and conditionality). Further, they should apply to the largest degree possible the lessons learned from more than five decades of development cooperation by respecting the Paris principles ownership, alignment, harmonization, mutual accountability and managing for results.

Taken together, these lessons were interpreted to imply that a new and more effective approach to development cooperation had to be in the form of an integrated application of financial and technical support in tandem with high-level political and policy dialogue and provisions to ensure mutual accountability of donors and partner governments. One approach to implement this form of integrated policy-based development cooperation was in the form of multi-donor general budget support (GBS), which soon evolved into arguably the most prominent, but also most heatedly debated, aid modality in the 2000s.¹⁷ Between 2006 and 2010, European donor countries alone (either bilaterally or through the European Commission) provided some EUR 15.5 billion in budget support to partner countries (Orth *et al.*, 2017). At the same time, donor governments came under increasing domestic pressure in view of commonly assumed risks associated with the provision of budget support, which many perceived as a way of providing large sums of money to corrupt governments with no control or accountability over the use of these funds.

Despite the fact that numerous evaluations and synthesis studies of budget support provide strong evidence that the integrated provision of financial and non-financial inputs was effective in supporting important development outcomes and in implementing the principles for effective aid (see Orth *et al.*, 2017), most bilateral donors in recent years as a consequence withdrew from the aid modality. By the time of exit, however, GBS had already profoundly changed development cooperation and budget composition in the countries receiving it, potentially leading to significant disruptions. Not only was the share of central government expenditure covered by GBS of major importance for the national budgets of many recipient countries, extensive accompanying structures – most prominently the policy dialogue¹⁸ – were established as well. The consequences of ending aid for sustaining developmental effects have only recently started to

¹⁷ In a parallel development, aid donors such as Germany also had begun to implement a much more holistic – or ‘multilevel’ – approach to project-based aid by combining interventions at micro-, meso- and macrolevel in order to bridge the diagnosed gaps between earlier approaches.

¹⁸ See Annex 2 for a glossary on budget support terminology.

gain attention in the literature.¹⁹ The potential effects of the exit from aid modalities on programme results remain generally under-researched despite this recent raise of awareness (Slob and Jerve, 2008).

It is therefore important to understand the consequences of the exit,²⁰ and its implications for the future of an integrated policy-based development cooperation. Against this background, this evaluation analyses the effects²¹ of ending GBS on development outcomes and provides recommendations for an exit strategy and for a policy-based development cooperation.

This analysis of exit effects builds on the results of a comprehensive evaluation synthesis on the effectiveness of budget support conducted by DEval (Orth *et al.*, 2017). Based on the systematic analysis of 95 sources, this evaluation synthesis finds that the integrated combination of financial and non-financial inputs in multi-donor GBS is an adequate instrument to achieve important development outcomes. Those positive effects include increased levels of public spending in the health and education social sectors, improved PFM, a strengthened supply-side of domestic accountability and a rise in service delivery quantity.

This evaluation assesses the effects of ending GBS at two levels:

- 1 The consequences of ending GBS; and
- 2 The robustness of budget support effects by comparing the effectiveness of budget support with the effects that remain after the exit by asking the following two evaluation questions:

Question 1: How do aid portfolios and the relationship between donors and partners change in the context of ending GBS?

Question 2: Are proven effects of budget support robust against the exit from the modality?²²

To answer the evaluation questions, a case specific-approach was chosen, analysing the effects of the exit from GBS in four country case studies – Malawi, Rwanda, Uganda and Zambia.

While this evaluation sheds light on the consequences of the exit and the robustness of budget support effects, the exit from the modality can also serve as a means to confirm that budget support programmes were responsible for the observed changes in the first place (quasi-counterfactual). Due to methodological difficulties, the attribution of effects to budget support programmes is normally a challenge in evaluations. Although the exit from the modality is not a real counterfactual, it can provide more certainty that budget support programmes caused or at least contributed to the observed effects. The team can infer the origin of the effects by comparing outcomes during ongoing budget support programmes with the effects after the exit. To illustrate this with an example: there is very strong evidence of a positive correlation between budget support and improvements in countries' public financial management (PFM), yet in theory, a third variable might be causing the improvements in PFM. Now, if the exit-effect on PFM is negative, this provides additional confidence that the correlation between budget support and PFM is positive and causal, i.e. budget support leads to improvements in PFM.

In conjunction, the evaluation synthesis mentioned above (Orth *et al.*, 2017) and this evaluation on the exit from GBS aim to contribute to a better understanding of the effectiveness and robustness of the modality, and the consequences of donors' exit from GBS. Budget support successes, failures and the exit case are used to provide recommendations on suitable design and implementation for future integrated policy-based approaches as well as strategies for an exit from on-budget aid instruments.

The findings and recommendations from this evaluation are directed towards policymakers in Germany, other bilateral donors and multilateral institutions, as well as towards implementing agencies. The results

¹⁹ See for example the evaluation by de Kemp and Lobbrecht, 2015 on the effects of cuts in bilateral aid and the withdrawal of countries.

²⁰ Situation in countries where GBS has been suspended for a prolonged period or completely stopped while other forms of programme and/or project-type interventions are still provided.

²¹ The term 'effects' comprises all levels of the intervention logic for budget support: outputs, induced outputs, outcomes and impacts.

²² The evaluation team employs a narrow definition of sustainability from the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD DAC) criteria for evaluating development assistance. According to this definition, sustainability is achieved if the benefits of a programme or project 'continue after donor funding ceased' (OECD DAC, 1991:2).

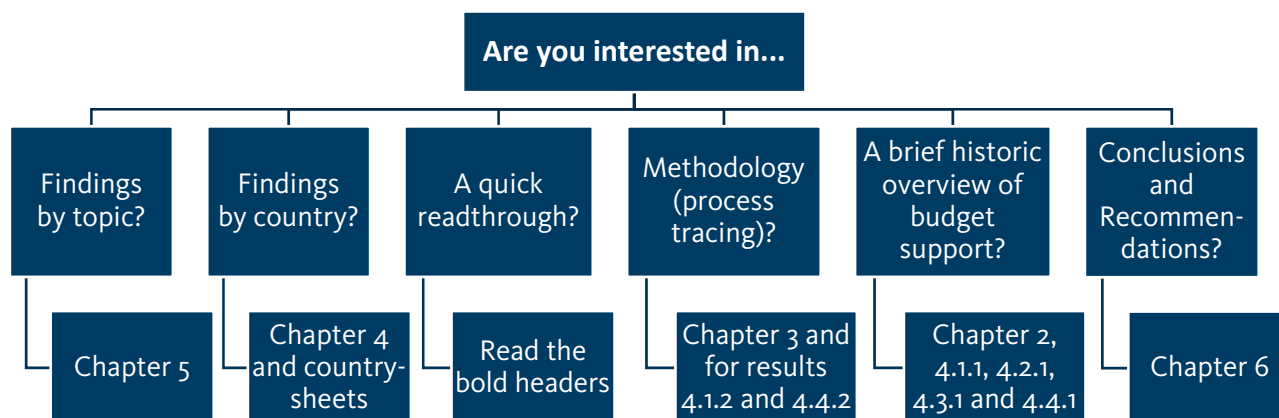
of this evaluation are also relevant for stakeholders in partner countries who may need to proactively manage donors' exit from budget support or other forms of integrated policy-based development cooperation, as well as academia, in the wider field of aid effectiveness research.

Structure of the report

In order to understand both history and current situation of budget support, Chapter 2 provides context information on the modality as well as the results on the effectiveness of it as found by DEval's systematic evaluation synthesis (Orth *et al.*, 2017). Chapter 3 explains the evaluation design and the methodology of the evaluation. The exit from GBS in the four case study countries and its impact are described in Chapter 4. Chapter 5 presents summary findings, discusses the consequences of the exit from GBS along main thematic areas and analyses which proven budget support effects were robust against the exit across the four case studies. Conclusions and recommendations for future forms of integrated policy-based approaches are presented in Chapter 6. To provide a summary of relevant background information and findings per country, the evaluation team further produced 'country sheets' for each of the four country case studies. These country sheets can be found on DEval's website at www.deval.org.

This evaluation addresses a large variety of readers ranging from policymakers, to bi- and multilateral donors and implementing agencies. Therefore, some chapters might be more relevant for some readers than other chapters. To facilitate a more efficient reading experience, this report can be read from beginning to end or selectively according to the reader's prime interest. Figure 3 provides reading instructions for the selective reader.

Figure 3 Reading manual



2 BACKGROUND: THE HISTORY OF BUDGET SUPPORT

To date, the most widely used aid modality designed in line with the idea of providing closely coordinated integrated policy-based support to partner countries is multi-donor general budget support, or GBS. This section outlines the general characteristics of budget support and the evolution of this aid modality.

The debate on aid effectiveness

In response to insufficiencies in the effectiveness of international development, Western donors around the turn of the millennium began to fundamentally rethink the way aid should be provided in the future (Koeberle *et al.*, 2006; OECD DAC, 2005).

Up until the late 1990s, approaches to development cooperation had attempted to overcome the multidimensional development challenges in poor countries from two angles: (a) by intervening through project-type interventions at individual or institutional level; and (b) by providing support at a macrolevel, in particular through so-called structural adjustment programmes (SAP).

Both approaches, however, had come under increasing criticism. The blame for this was laid at the highly fragmented donor landscape that had emerged over the decades as a result of the two approaches – project-type interventions and SAP – being applied in isolation by each donor country. Further, SAPs – devised by the Bretton Woods Institutions (the International Monetary Fund and the World Bank) – offered concessional loans to indebted or bankrupt countries. These loans were based on the condition that the recipient government implements a pre-defined set of macroeconomic and political reforms. However, the SAPs did not achieve their goals to reshape economic governance in the recipient countries. This was often explained by the intrusive nature of the sometimes harsh SAP conditionality, but also the failure to support the necessary ownership and political, administrative and technical capacity necessary to implement and follow through with the prescribed reforms (Easterly, 2005; Kayizzi-Mugerwa, 1998; OECD DAC, 2005).

By the late 1990s, therefore, the increasingly heated debate on the potential and real effectiveness of international aid had slowly found its way from academic circles on to the international policy arena, increasing the pressure on Western donors to devise a new model of cooperation, building on the lessons learned from previous decades of development aid. This learning process cumulated in the formulation of the Paris Declaration on Aid Effectiveness in 2005 (OECD DAC, 2005) that prescribes five principles for effective aid:²³

- ownership of partner governments
- alignment of donor programmes with partner governments' goals and priorities
- harmonization of programmes among donors
- results-orientation
- mutual accountability

The Paris Declaration identified the so-called programme-based approaches (PBAs) as most suitable to implement the effectiveness criteria.²⁴ PBAs had been developed in the 1990s, but were only marginally used before the Paris Declaration in 2005 (Sida, 2008).

The Organization for Economic Co-operation and Development (OECD) Development Assistance Committee (OECD DAC) defines PBA as 'a way of engaging in development co-operation based on the principles of

²³ The international community, under increasing participation of the partner countries, reconfirmed their commitment to an effective and results-based development cooperation in the conferences of Accra (2008), Busan (2011), Mexico (2014) and Nairobi (2016). To track the progress in the implementation of the principles and the use of suitable approaches to development cooperation, a monitoring system was established after the Paris Declaration in 2005. In the meantime, the international community, under increasing participation of the partner countries, confirmed their commitment to an effective and results-based development cooperation in the conferences of Accra (2008), Busan (2011), Mexico (2014) and Nairobi (2016). The monitoring system of the Paris Declaration was replaced by the monitoring of the Global Partnership for Effective Development Cooperation, tracking progress in effective development cooperation until today (OECD/UNDP, 2016).

²⁴ In parallel, further reforms and adaptations to development cooperation were pursued by many donors, including the more stringent alignment of project-based cooperation to partner priorities and the increasing use of 'multilevel' approaches. These approaches combine simultaneous interventions at micro, meso- and macrolevel in order to address systemic development challenges in partner countries (for an example, see OECD (2015, 65) on Germany's multilevel approach to capacity development.

co-ordinated support for a locally owned programme of development, such as a national development strategy, a sector programme, a thematic programme or a programme of a specific organisation' (OECD DAC, 2008, p. 148).

At the heart of this new approach to development cooperation lies the integrated policy-based support to partner countries' own development strategies priorities. Among the modalities and instruments subsumed under the term 'programme-based approaches', GBS offered the most stringent implementation of the five principles to effective aid introduced above. It does so by offering an integrated package of financial and technical support combined with high-level political and policy dialogue and a formalized framework to ensure mutual accountability through dialogue and regular performance assessments. It would also maintain national sovereignty because policy reforms are autonomously developed and not dictated by donors, which was a common criticism of SAPs. This way, the government would be accountable to the citizens through budget decisions and to donors based on the performance assessment framework (PAF).

Conceptual features of budget support

Budget support is an aid modality, often provided by multiple development partners to jointly support the partner governments' national poverty-reduction strategy and national development plan (Dijkstra and de Kemp, 2015). The OECD defines budget support as 'a method of financing a partner country's budget through a transfer of resources from an external financing agency to the partner government's national Treasury' (OECD DAC, 2006a, p. 26). GBS is disbursed as a non-earmarked funding, while SBS is earmarked for the utilization in a specific sector.

Under the assumption that budget support is implemented according to the principles of effective aid,²⁵ it is expected to create higher predictability of external funds and/or reductions in transaction costs as direct outputs. Budget support is thus believed to increase aid effectiveness in the recipient country. Expected induced outputs of budget support are improved macroeconomic management, increased quantity and quality of public services, and strengthened systems of PFM. These outputs are assumed to lead to outcomes such as publicly provided goods and services and impacts income and non-income poverty in the recipient countries (OECD DAC, 2012; Orth *et al.*, 2017). Besides the function to finance the implementation of the national poverty-reduction strategy of the partner (financing function), budget support contributes to the policy reforms in the partner country (governance function). To this aim, the budget support package comprises four elements:

- 1 Financial support
- 2 Policy dialogue
- 3 Accountability framework, including conditionality
- 4 Technical assistance and capacity development (TA/CD)

While the debate evolving around budget support focused on the financing function in the early years of its programmes, later the governance function gained increasing importance. The term 'budget support' is misleading insofar it only highlights the financial input in the package of budget support inputs. Some donors addressed this misconception by establishing terms that also include the policy aspect of budget support, such as the World Bank's 'Development Policy Financing' or as the broader term used in this evaluation: integrated policy-based approach.

Policy dialogue is a central part of budget support programmes and takes place on both political and technical levels. The technical level dialogue primarily evolves around technical issues, for example in PFM, while the political dialogue addresses overarching issues, like budget decisions.

The mutual accountability framework in the form of budget support conditionality has two components: (a) so-called underlying principles, such as macroeconomic stability, respect for human rights, commitment to

²⁵ The intervention logic lists three of the five Paris principles of aid effectiveness – ownership, harmonization and alignment – as direct outputs, and assumes further that budget support increases predictability and reduces transaction costs of aid in the recipient country.

democratic governance and poverty reduction; and (b) disbursements or new commitments based on a regular performance assessment. The partner government's adherence is the precondition for the provision of budget support. The regular performance assessment is usually based on a PAF developed jointly by development partners and partner government to measure reform progress of the government against a set of performance indicators.

TA/CD complements the financial inputs by strengthening capacities in the partner government. By design, the combination of financial and non-financial inputs is assumed to have reciprocal effects, thus increasing the effectiveness of financial and non-financial inputs in budget support programmes.

Proven effects of budget support

In 2004, Lawson and Booth (Lawson and Booth, 2004) developed a methodological framework for the evaluation of budget support (see Annex 7.1), which was revised and augmented in 2008 by a working group under the lead of the European Commission (EC, 2008a). This framework proposes a comprehensive intervention logic for budget support.

The common approach to evaluating budget support was applied in a series of pilot evaluations, in countries such as Mali, Tunisia and Zambia (DRN, 2011; de Kemp *et al.*, 2011; Lawson *et al.*, 2011). The evaluation framework was revised in 2012 and since then has been applied in various budget support evaluations. Overall, these evaluations find clearly positive effects with regard to budget support's financing function, and mixed results regarding the instrument's impact on fostering good governance and policymaking (ADE, 2015; Bartholomew *et al.*, 2006; Batley *et al.*, 2006; Bogetic *et al.*, 2015; Booth *et al.*, 2005; Caputo *et al.*, 2013; Claussen *et al.*, 2006; Dijkstra and Grigsby, 2010; DRN, 2011; Gosparini *et al.*, 2006; de Kemp *et al.*, 2011; Lanser *et al.*, 2006; Lawson *et al.*, 2007, 2011, 2013, 2014, 2016; Lister *et al.*, 2006; Purcell *et al.*, 2006; Thunnissen and Morillon, 2014). First synthesis studies were conducted, aggregating the findings of available budget support evaluations (Lawson *et al.*, 2003; Lister, 2006; Williamson and Dom, 2010). However, so far, the evidence on budget support has only examined selected parts of the available evidence.

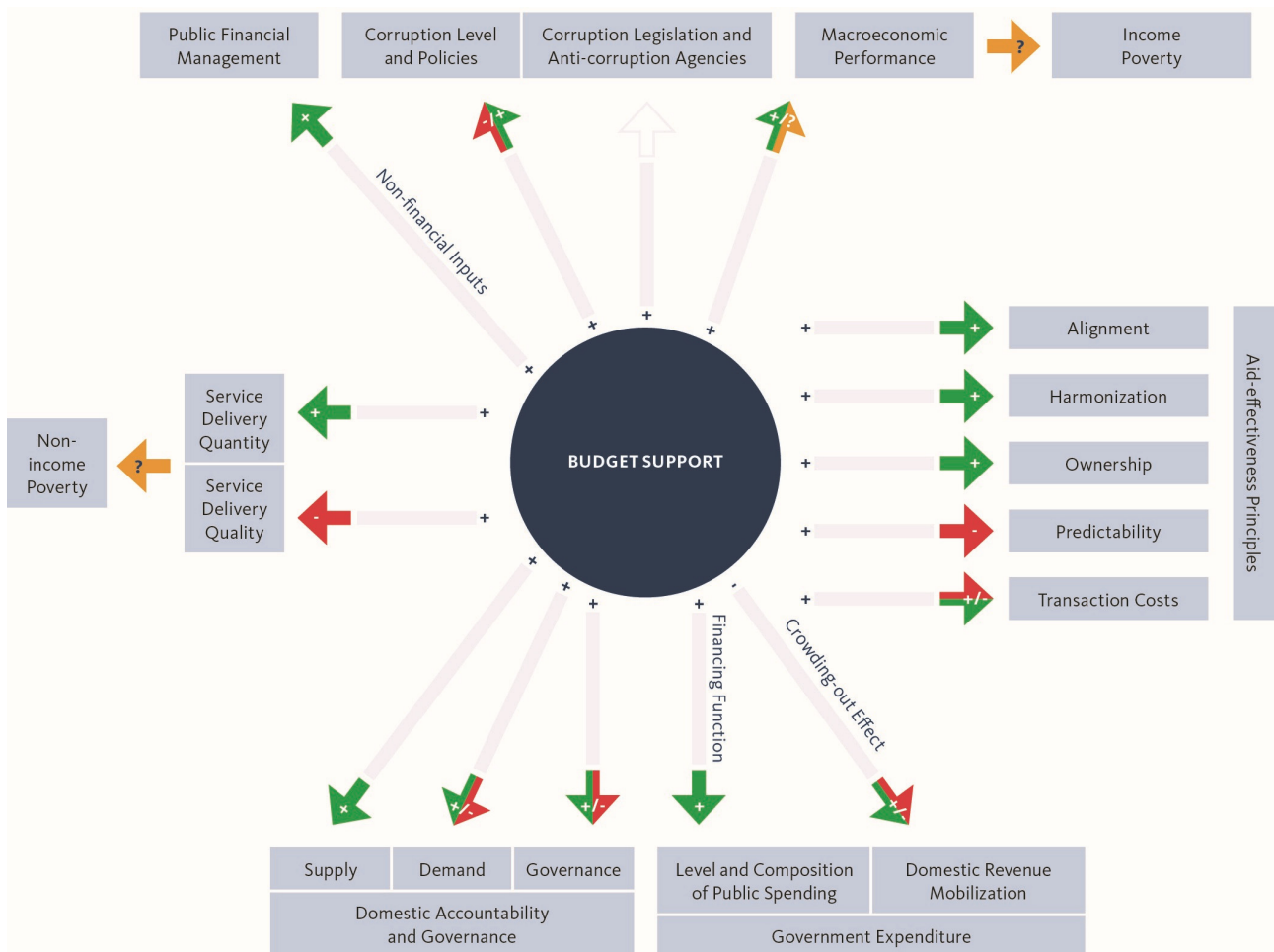
Recently, a systematic evaluation synthesis by DEval (Orth *et al.*, 2017) analysed 95 sources, the hitherto most comprehensive study on the effectiveness of budget support.

From the overall evidence on budget support effects analysed in the evaluation synthesis, five main findings emerge:

- Most of the expected effects of budget support materialized, thus budget support leads to improvements of: (a) the level and composition of public spending; (b) PFM; (c) the quantity of service delivery; and (d) the supply-side of domestic accountability.
- For these outputs, the attribution of observed changes to budget support is plausible. Regarding the impacts – namely good governance, inclusive growth and poverty reduction – the evidence is not sufficient nor compelling to attribute improvements to the existence of budget support (alone).
- Other effects are highly dependent on context factors, e.g. (a) high number and quality of donors' common interests; (b) institutional capacity; and (c) political will for reform of the recipient government.
- The attribution to the individual budget support inputs (financial input, conditionality, policy dialogue and TA/CD) is in most cases insufficient and hence the effects can only be attributed to the whole 'budget support package'.
- The analysed evidence inadequately researches important risks of budget support, for example on corruption. While there is no negative effect on corruption, there is insufficient evidence to tell whether the effect is positive or simply non-existent (Orth *et al.*, 2017).

Figure 4 shows the findings of the synthesis study on the effectiveness of budget support in aggregate form.

Figure 4 Expectation and reality of budget support effects

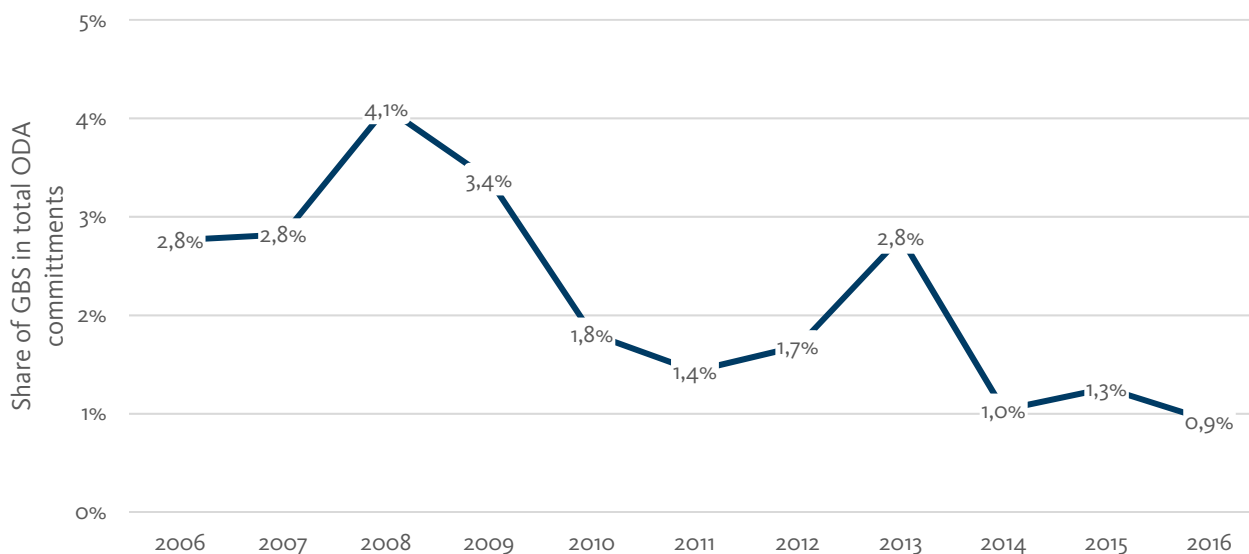


Source: Orth *et al.*, 2017, p. 69

The rise of budget support to increase aid effectiveness

The World Bank, the European Union (EU) and a few larger EU Member States set up the first budget support programmes in the late 1990s. The specific configuration of budget support programmes varied between donors, some taking a more selective approach than those using stricter governance indicators. Together, EU Member States and the EC disbursed around EUR 15.5 billion as GBS between 2006 and 2010 (DFID, 2004; EC, 2008b; European Parliament *et al.*, 2005; OECD DAC, 2005).

At its peak around 2008/2009, total budget support disbursements accounted for up to 50% of official development assistance (ODA) spending in the case of individual donors. On average among all budget support donors, total budget support disbursements comprised about 20% of ODA. Yet the modality was never used exclusively in donors' aid portfolio and project-type interventions always prevailed alongside budget support (see Figure 5; OECD, 2018a).

Figure 5 Budget support to developing countries as share of total DAC and multilateral ODA

Source: CRS (OECD, 2018a)

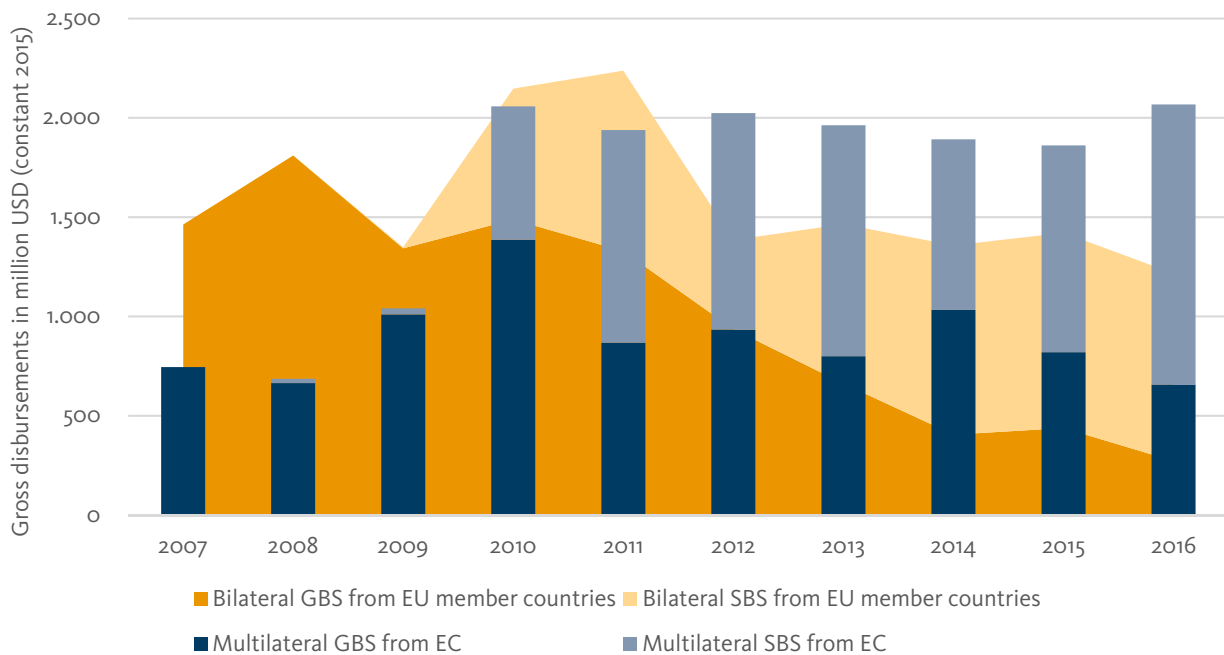
The decline of budget support

Corruption scandals, political setbacks and human rights violations in various recipient countries and a shift towards more conservative governments in Western donor countries reduced the donors' appetite for budget support. The new governments were especially sensitive to the political risks of budget support – such as reputational risks by supporting potentially corrupt or authoritarian regimes. As a reaction to these developments, bilateral donors started to emphasize the political conditionality of budget support and became more alert to the instrument's potential fiduciary risks (Faust and Koch, 2014). Both developments – political difficulties in the recipient countries and changes in the political landscape in Europe – led to repeated suspensions of budget support disbursements (Faust *et al.*, 2011, Molenaers *et al.*, 2015; Orth *et al.*, 2017).

In consequence to many bilateral development partners withdrawing their budget support funding, the volume of multi-donor GBS funding provided by European Member States and the EC fell from EUR 2.9 billion in 2010 to EUR 1.3 billion in 2015²⁶ (see Figure 6). Many bilateral development partners – e.g. Germany, the Netherlands and the United Kingdom (UK) – either suspended or stopped GBS altogether. The EC changed their approach and used more SBS instead of GBS and, in response to the requests by Member States, also imposed stricter entry criteria for the implementation of GBS programmes (EC, 2012). From all budget support programmes funded by the EC in 2015, 82% are provided in the form of SBS (EC, 2015a). During their peak in 2010, budget support programmes accounted for 23% of Germany's bilateral aid and reached EUR 96 million in sub-Saharan Africa, which was by far the largest recipient region (Krisch *et al.*, 2015). By 2014, this share had decreased to only 2%²⁷ and as of 2017, Germany has stopped its bilateral GBS almost completely; however, it still contributes indirectly through the programmes of the EC.

²⁶ Data obtained from the OECD DAC CRS databank.

²⁷ Own calculations based on CRS (OECD, 2018a).

Figure 6 Budget support disbursements – comparison between bilateral EU donors and EC

Source: CRS (OECD, 2018a)

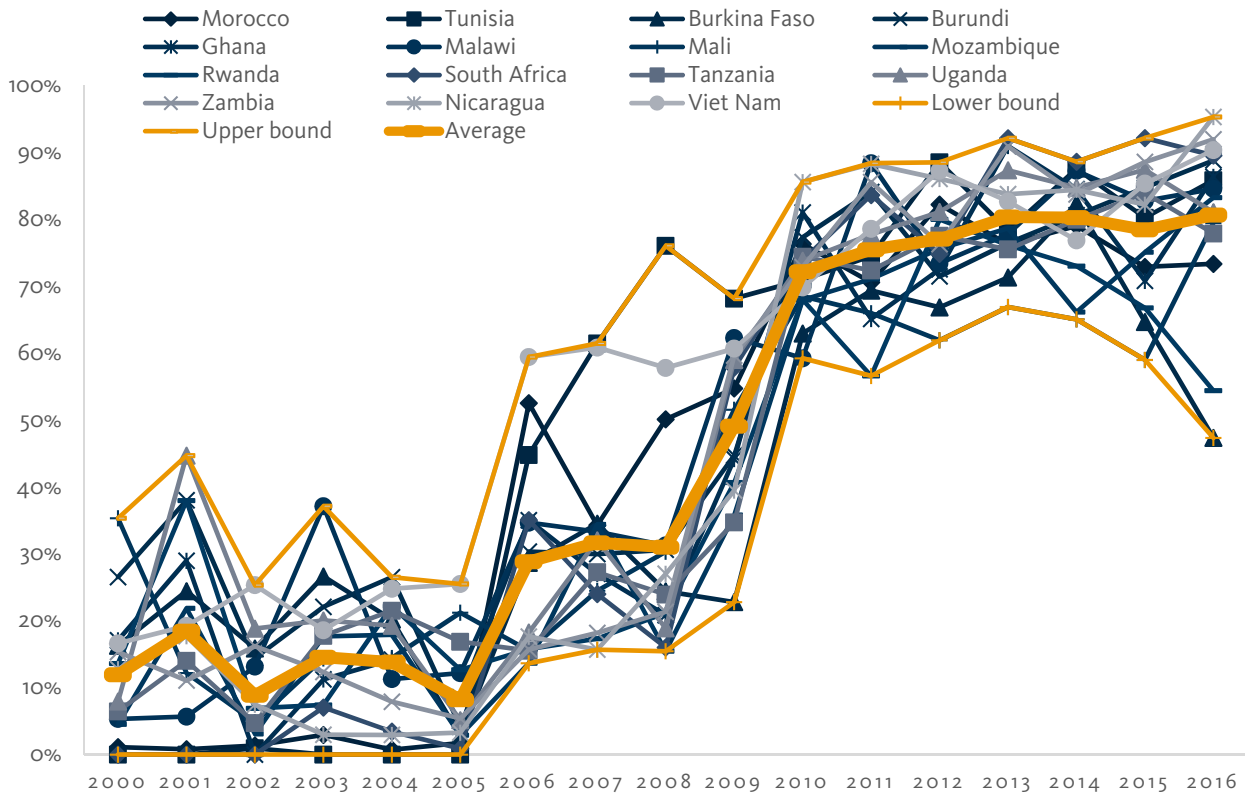
What followed GBS?

Around 2009, when a wave of budget support suspensions started, the share of project-type interventions in total ODA receipts began to rise substantially from levels of 1–40% between 2000 and 2005 to levels of 60–90% since 2010 (see Figure 7). On average, project-type intervention accounted for about 20% of ODA between 2000 and 2005 and reached an average of over 70% from 2010 onwards (OECD, 2018a).

As discussed in the Introduction to this report, the Paris Declaration on Aid Effectiveness was inspired and based on evidence of what did not work from over five decades of Western development cooperation (Koeberle *et al.*, 2006; OECD DAC, 2005). This evidence pointed to failures in the way aid was provided, among them a high fragmentation of aid, which created high transaction costs and undermined ownership of the partner governments (Aldasoro *et al.*, 2009; Bigsten, 2006; Frot/Santiso, 2009; Halonen-Akatwijuka, 2004; Knack/Rahman, 2007; OECD DAC, 2009). PBAs were the suggested cure and considered best to address the effectiveness principles (Koch *et al.*, 2016).

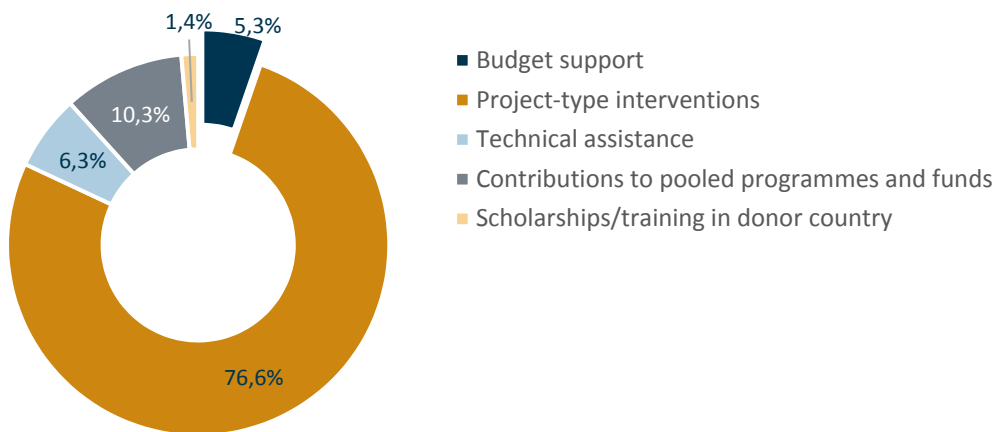
However, other PBAs did not replace GBS. Recent figures from the development cooperation report 2017 show that donors spend only 15% of country programmable aid in (on-budget) PBAs: 5% in budget support and 10% in contributions to pooled programmes and funds. By far the largest share is spent in the form of project-type interventions (77% of country programmable aid) (OECD, 2017) (see Figure 8).

Figure 7 Project-type interventions as share of ODA²⁸ for budget support receiving countries²⁹



Source: CRS (OECD, 2018a)

Figure 8 Composition of DAC country programmable aid (CPA), 2015, gross disbursements



Source: Development Co-operation Report 2017 (OECD, 2017)

²⁸ It should be noted, that the share of not specified modalities (called “not applicable”) in the CRS database was quite large between 2000 and 2006, however the picture is strikingly similar even when “not applicable” ODA is excluded from the denominator.

²⁹ The listed countries build the group of possible cases for this evaluation: all countries for which a budget support evaluation exists that uses the ‘state of the art’ methodological design for budget support evaluations (see section 3.1.2).

Although critics might argue that the Paris Declaration on Aid Effectiveness was always strongly driven by donors and by now is considered largely outdated (Deutscher and Fyson, 2008), the focus on aid effectiveness and a results-oriented approach in development cooperation was further revived in Busan, 2011 (OECD DAC, 2011), Mexico, 2014 (Global Partnership for Effective Development Co-operation, 2014) and lately Nairobi, 2016 (Global Partnership for Effective Development Co-operation, 2016).

Further, current jointly defined goals and strategies among partner governments and donors, such as the United Nations' (UN) Sustainable Development Goals (SDGs), demand a stronger focus on ownership of the partner governments (UN, 2015), being one of the aid effectiveness principles. Specifically, the UN's third financing for development conference in Addis Ababa defined ways to finance the ambitious, and thus costly, SDGs. The solutions include the strengthening of public policies and regulatory frameworks, and ownership for the countries' social and economic development (strategies). The report of the third International Conference on Financing for Development affirms that the role of 'national policies and development strategies cannot be overemphasized' (UN, 2015, p. 5).

Metaphorically speaking, the symptoms of ineffective aid that were denounced in Paris 2005 are still present in many places, but the remedy has largely been banned. A question on the broader developmental context, which is going beyond the exit from budget support and the scope of this evaluation, thus is *quo vadis* development finance? What are adequate instruments to provide the necessary resources and incentives to reach the SDGs, and what is the future of integrated policy-based approaches?

3 METHODOLOGY

To analyse losses that result from the exit of multi-donor GBS and to identify features that are of importance for future integrated policy-based approaches, this evaluation focuses on the exit from GBS. Besides the primary aim to understand the consequences of ending GBS, the exit case can serve as a quasi-counterfactual (before-and-after comparison) to measure the effectiveness of GBS programmes. The existing evidence that has been synthesized in Orth *et al.* (2017) looked at effects during the time GBS was disbursed, so before the exit. This evaluation adds the ‘after dimension’ to the picture. Taken together, the before-and-after dimensions can serve as a quasi-counterfactual.³⁰

In addition, with the exit of most bilateral donors from GBS, it remains questionable whether the proven positive effects of budget support are robust against the exit and how potential negative effects can be mitigated. One of the major challenges in answering these questions is to attribute observed post-exit changes to the exit from budget support. To approach this challenge, this evaluation uses a comparative case study design, based on the country cases Malawi, Rwanda, Uganda and Zambia. In-depth analysis is added to the comparative case study design through process tracing. This specific combination allows for a comparison across cases, but also ensures internal validity through process tracing. The comparison of budget support effects prior to exit with the consequences post-exit enabled the evaluation team to assess the robustness of budget support effects. The robustness of effects against an exit from the modality is a necessary condition for the sustainability of effects.

Exit is defined as a suspension of more than one budget support cycle – usually a fiscal year – by several donors, so that suspensions can be differentiated from single delays in payment.

3.1 Comparative case study design

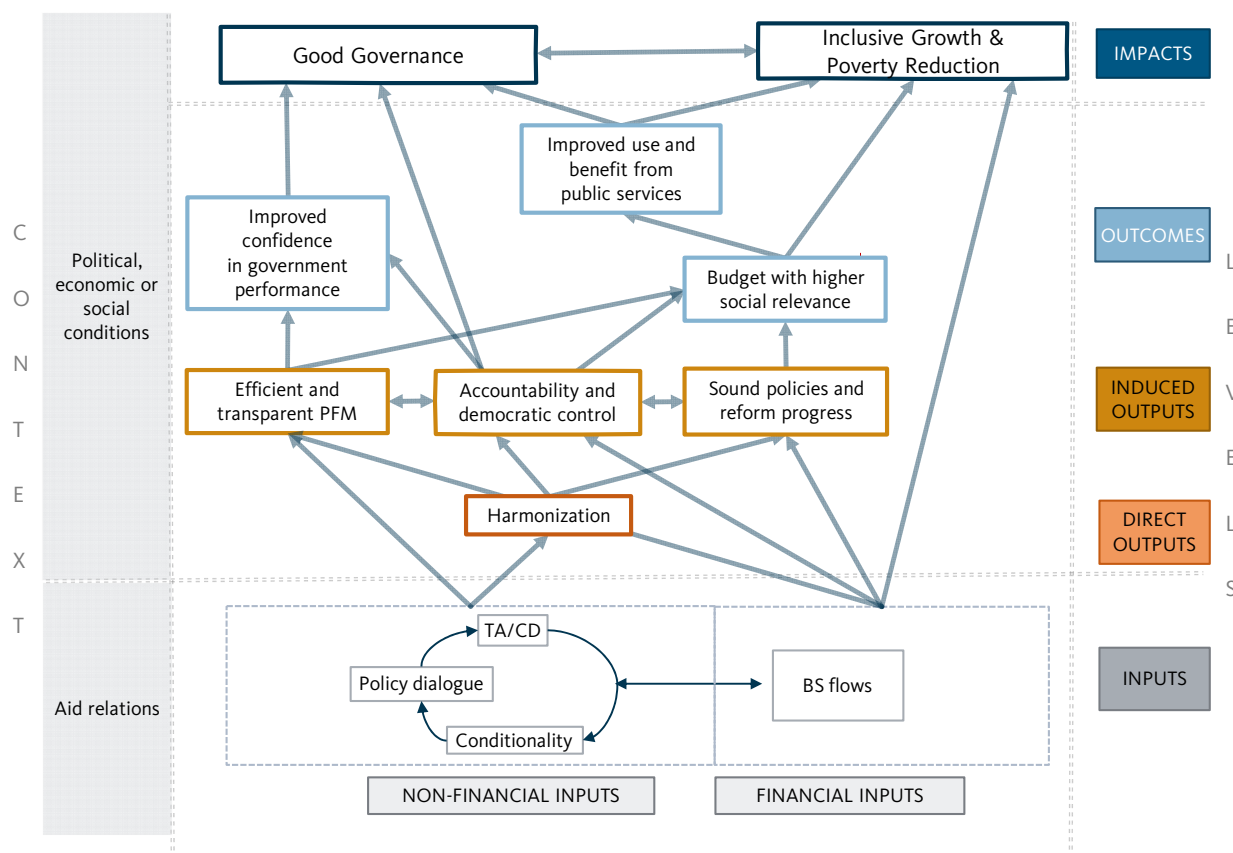
3.1.1 The intervention logic

The exit evaluation follows a theory-based approach and uses a slightly revised form of the EC/OECD DAC’s intervention logic as the overall analytical framework to generate hypotheses on the robustness of budget support effects. The latest form of the Comprehensive Evaluation Framework (CEF) serves as the theoretical foundation for most multi-donor evaluations of budget support (OECD DAC, 2012) (see Annex 7.1). The evaluation team slightly adapted the CEF. The rationale for these adjustments was to better trace interdependencies between financial and non-financial elements of budget support on the level of inputs and direct outputs, and to include the quality of aid relations as a context element, as well as political, economic and social conditions. All these factors play a potentially important role in the analysis of the exit from the aid modality.

According to the intervention logic, effects of budget support programmes unfold in a sequence across five levels, namely: inputs, direct outputs, induced outputs, outcomes and impacts. The inputs consist of financial inputs, i.e. funding that is transferred directly into the Treasury of the partner government, and non-financial inputs (conditionality, policy dialogue and TA/CD). The combination of financial and non-financial inputs is expected to reinforce the effectiveness of the individual inputs. Direct outputs are the result of improved linkages between external funding and the national budget and/or policy process, such as improved *harmonization* among donors. Induced outputs are – among others – *sound policies, reform progress, efficient and transparent PFM, and accountability and democratic control*. Expected outcomes of budget support provision are *improved budget allocation* and *improved use of and benefit from public services* as well as *improved confidence in government performance*. These outcomes lead to *inclusive growth and poverty reduction* and *good governance* as impact. While the state of aid relations between donors and partner governments strongly influences inputs and direct outputs, induced outputs, outcomes and impacts are primarily dependent on political, economic and social conditions (see Figure 9).

³⁰ The idea behind the quasi-counterfactual is that results after the exit can confirm or not confirm (which does not mean disconfirm) the synthesized evidence from before the exit. Effects are confirmed if the introduction of budget support had positive effects (before) and the exit from budget support had a negative effect (after), or vice versa. Effects are not confirmed if positive (or negative) effects before the exit remain positive (or negative) after the exit.

Figure 9 Revised generic theory of change



Source: own, revised form of CEF (OECD DAC, 2012)

3.1.2 Case selection

The revised theory of change forms the common basis for the country case study design used in this evaluation. The four country case studies in Malawi, Uganda, Rwanda and Zambia have contributed to the comparative case study design of this evaluation, which aims to identify consequences of ending multi-donor GBS that can be generalized across cases. The evaluation team analysed according to the (revised) intervention logic, in combination with the evaluation synthesis on budget support (Orth *et al.*, 2017). The resultant changes in proven budget support effects resulted from suspending or terminating budget support disbursements. Detailed evaluation questions were developed for each level of the theory of change, covering nearly all expected budget support outputs and outcomes (see the evaluation matrix in Annex 7.2) to enable the comparison of effects during and after the GBS period. It is a particular challenge to attribute observed effects to budget support programmes at the impact level (i.e. expected effects on income poverty and non-income poverty). Own data collection on changes in income poverty was not possible and thus not included as a topic of this evaluation. Non-income poverty was part of country-specific budget analyses and therefore included in data collection and analysis, but results have limited explanatory power due to the problems in attribution.

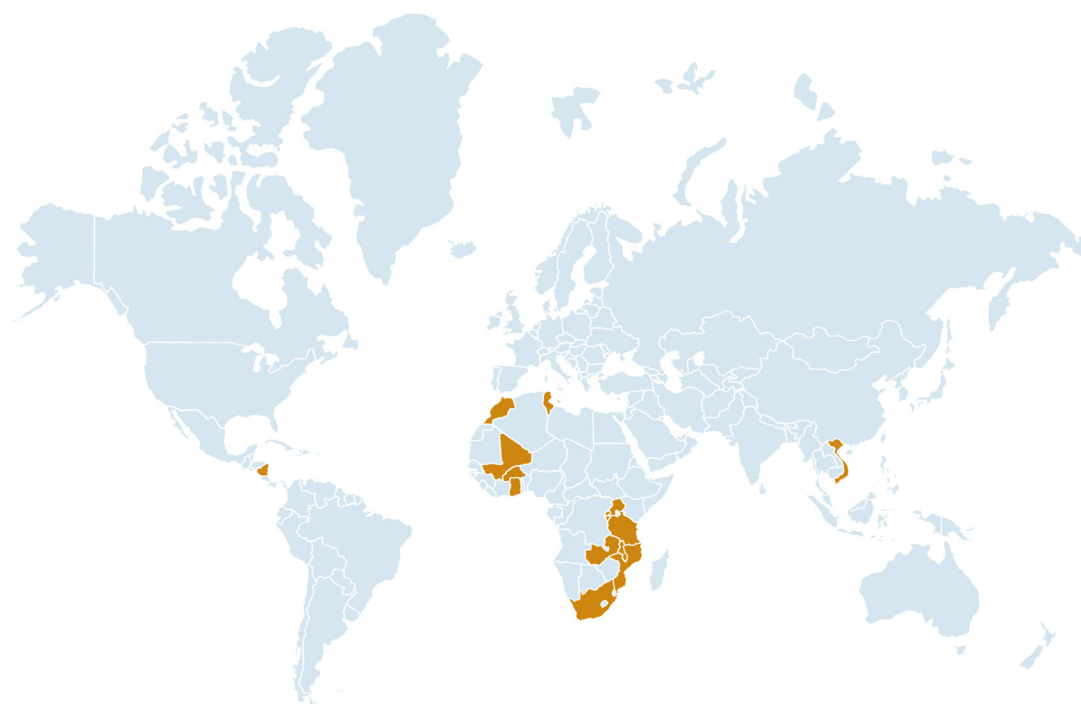
To achieve a high comparability across case study countries and high external validity of the findings, the evaluation team applied a two-step procedure for the selection of cases, using preconditions and rating criteria. In step one, those countries fulfilling a set of five general eligibility criteria (preconditions) were identified as potential country cases (see Table 1). In step two, these potential country cases were rated against four selection criteria. The countries best fulfilling the selection criteria are best suited to serve as country case studies for the evaluation (see Table 2).

For this evaluation, the group of possible cases consists of all countries for which a budget support evaluation exists that uses the 'state of the art' methodological design for budget support evaluations. This specific methodology was designed for evaluating budget support (EC, 2008a) and has since

been applied in more than 20 budget support evaluations. In contrast, evaluations that use a standard evaluation approach are often not specified for budget support and are written from the perspective of an individual agency. Such evaluations are not considered in the range of possible cases. The rationale behind the criterion is that budget support evaluations serve as a baseline regarding the impact of budget support in the respective countries.

This range of 15 countries is geographically concentrated to the African continent, predominantly sub-Saharan Africa, with the exception of Nicaragua and Vietnam (see Figure 10). The following 15 countries' budget support evaluations met the selection criteria: Burkina Faso (Lanser *et al.*, 2006), Burundi (ADE, 2015), Ghana (Lawson *et al.*, 2007), Malawi (Claussen *et al.*, 2006), Mali (Lawson *et al.*, 2011), Morocco (Thunnissen and Morillon, 2014), Mozambique (Batley *et al.*, 2006; Lawson *et al.*, 2014), Nicaragua (Gosparini *et al.*, 2006), Rwanda (Purcell *et al.*, 2006), South Africa (Caputo *et al.*, 2013), Tanzania (Booth *et al.*, 2005; Lawson *et al.*, 2013), Tunisia (DRN, 2011), Uganda (Bogetic *et al.*, 2015; Lister *et al.*, 2006), Vietnam (Bartholomew *et al.*, 2006) and Zambia (de Kemp *et al.*, 2011). Annex 7.4 shows a classification by income group of the cohort of possible cases.

Figure 10 Geographical distribution of budget support evaluations



Source: own

Step One: Preconditions

In order to exclude cases that do not fit the purpose of this evaluation, the sample was narrowed down to countries that meet five preconditions (see Table 1):

- **Precondition 1:** Provision of GBS for at least three consecutive years
Rationale: Long-term outcomes and impacts of budget support provision can only develop when GBS has been disbursed for several years.³¹
- **Precondition 2:** Provision of GBS by multiple donors³²

³¹ The threshold of three years was chosen to balance that budget support overall was not disbursed for a long period of time (around ten years), but should have been paid for at least a couple of years to generate medium- to long-term effects.

³² For the purpose of this evaluation we set a threshold of at least five donors providing GBS within a period of three years.

Rationale: The involvement of multiple donors in GBS provision confirms the importance of the finance instrument in the country and allows the observation of different effects for each donor when GBS disbursements have stopped.

- **Precondition 3:** Involvement of Germany in the GBS provision

Rationale: The involvement of Germany was defined as precondition for the country case selection because of the high relevance for the stakeholders of this evaluation and the access to information during the data collection process.³³

- **Precondition 4:** Termination and/or sustained suspension³⁴ of GBS by several donors, including Germany and the EC

Rationale: Reason for the required termination by Germany and the EC is once again the high relevance for the stakeholders of this evaluation.

- **Precondition 5:** Absence of severe armed conflict jeopardizing development results

Rationale: In the face of such armed conflicts, the robustness of GBS measures cannot be properly evaluated.

Eight countries fulfil these preconditions for a potential case study and are rated in step two. For background information on the exclusion of the remaining seven countries, please refer to Annex 7.5. The set includes Ghana, Malawi, Nicaragua, Rwanda, Tanzania, Uganda, Vietnam and Zambia.

Table 1 Case selection based on preconditions (step 1)

	<i>Several years of GBS</i>	<i>Provision by multiple donors</i>	<i>Involvement of Germany</i>	<i>Suspension/ termination</i>	<i>Absence of armed conflicts</i>
<i>Burkina Faso</i>	✓	✓	✓	x	(x)
<i>Burundi</i>	✓	✓	x	x	x
<i>Ghana</i>	✓	✓	✓	✓	✓
<i>Malawi</i>	✓	✓	✓	✓	✓
<i>Mali</i>	✓	✓	✓	✓	x
<i>Morocco</i>	✓	x	x	x	✓
<i>Mozambique</i>	✓	✓	✓	x	✓
<i>Nicaragua</i>	✓	✓	✓	✓	✓
<i>Rwanda</i>	✓	✓	✓	✓	✓
<i>South Africa</i>	x	✓	x	x	✓
<i>Tanzania</i>	✓	✓	✓	✓	✓
<i>Tunisia</i>	✓	x	x	x	x
<i>Uganda</i>	✓	✓	✓	✓	✓
<i>Vietnam</i>	✓	✓	✓	✓	✓
<i>Zambia</i>	✓	✓	✓	✓	✓

Source: own

Step Two: Selection criteria

To rate the fit of the remaining eight countries in step two, four selection criteria were applied. The underlying assumption was that countries best fulfilling the selection criteria represent the most suitable cases for answering the evaluation questions ('most likely cases') (Rohlfing, 2012).

³³ Due to Germany's selective approach in implementing budget support programmes, this precondition possibly leads to a bias towards already good performing countries.

³⁴ The term 'sustained suspension' in this evaluation is defined as a suspension of more than one budget support cycle (usually a fiscal year), so that suspensions can be differentiated from single delays in payment. A minimum amount suspended is not required.

- **Selection criterion 1:** Time period covered by GBS evaluation³⁵
Rationale: The longer the time period covered, the better is the evidence base for the evaluation.
- **Selection criterion 2:** Provision of a substantial amount of GBS³⁶
Rationale: It is assumed that a higher amount of disbursed GBS leads to stronger effects, which can be more easily observed also when looking at consequences of the exit on those effects.
- **Selection criterion 3:** Provision of a substantial amount of GBS from Germany and the EC
Rationale: With more funding from Germany and the EC, the relevance is higher for the stakeholders of this evaluation (see Table 2).
- **Selection criterion 4:** Significance of suspensions and terminations of GBS
Rationale: Significance of suspension or termination was defined as the financial cutback to the national budget due to GBS suspension or termination. Effects of suspending or ending budget support are likely to be more severe and better observable in countries where the missing financial contribution led to a significant reduction of the national budget.

For the rating, a five-level scale was used, ranging from best fulfilment of the criterion (++) , good fulfilment (+), average fulfilment (-), weak fulfilment (-) to least fulfilment (--). Zambia, Uganda, Rwanda and Malawi were chosen as country case studies for the exit evaluation because of the, in sum, best fulfilment of the selection criteria (see Table 2). For background information on the ratings for the different countries, please refer to Annex 7.5.

Table 2 Case selection based on a rating (step 2)

	<i>Coverage of GBS evaluation</i>	<i>Substantial amount of GBS</i>	<i>Substantial amount of GBS from Germany and EC</i>	<i>Significance of suspensions / terminations</i>
<i>Ghana</i>	~	~	+	~
<i>Malawi</i>	-	+	+	+
<i>Nicaragua</i>	-	-	~	+
<i>Rwanda</i>	-	+	++	+
<i>Tanzania</i>	++	~	-	-
<i>Uganda</i>	++	~	++	+
<i>Vietnam</i>	-	-	-	~
<i>Zambia</i>	+	+	++	++

Source: own

3.1.3 Data collection and analysis

A detailed evaluation matrix, based on the intervention logic (see section 3.1.1), served as central element to operationalize the two evaluation questions and the data collection process (see Annex 7.2). Aiming to triangulate all evidence, the data collection process included the following types of sources:

³⁵ Again, the methodology of the evaluation must be specifically designed for evaluating budget support and the methodology must have been jointly agreed in a multi-donor setting.

³⁶ Measured as total GBS payments in percentage of government expenditure in the respective country for the years in which GBS was disbursed.

- evaluation synthesis on budget support
- budget support evaluations
- administrative data and statistics
- country reports
- semi-structured interviews
- tailor-made budget analysis

As discussed above, the evaluation synthesis on budget support and the budget support evaluations provided the necessary data to assess the budget support effect during its disbursement.

Review of administrative data and statistics, and country reports

A review of administrative data and statistics from the recipient governments, such as annual reviews and budget documentation, as well as country reports by the international community,³⁷ was one component of the data collection. This review was deliberately chosen as the starting point to use the findings in preparation of the interview guideline for the country case studies and as background information for hypothesizing the mechanisms as an important element of process tracing. The evaluation team reviewed around 80 reports for data and relevant statements related to the detailed evaluation questions. They coded the information using the qualitative software for data analysis MaxQDA, building a solid basis of the analysis.

Semi-structured interviews

To ensure the coverage of important topics while allowing flexibility in the structure of respondents' answers, the evaluation team chose semi-structured interviews with open-ended questions as a central method for data collection. An interview guideline built the basis for the interviews in four countries and was developed based on the evaluation matrix. It was refined with findings from the review of reports and government statistics, and first explorative interviews with different stakeholders. However, the specification and sequence of questions was adjusted from interview to interview to ensure a natural flow of conversation (Gläser and Laudel, 2006).

Topics covered in the interview guideline include:

- Changes in aid portfolios (e.g. volumes, modalities) as a result of ending budget support
- Changes in form, function, and content of dialogue forums as a result of ending budget support
- Harmonization of programmes and projects among donors during and after ending budget support
- Changes in technical assistance and capacity development as a result of ending budget support
- Robustness of budget support effects

See the interview guidelines in Annex 7.6 for the full list of topics.

To account for different perspectives on the subject matter, the team conducted interviews with representatives from different stakeholder groups, including bilateral and multilateral donors, implementing agencies, ministries, government agencies, CSO's, faith-based organizations and media. With the aim to acknowledge the different perspectives of interview partners adequately, three versions of the interview guidelines were developed: one for donor representatives, one for partner representatives and one for civil society representatives.

In sum, the team conducted 106 interviews with 145 interview partners (see Annex 7.7) in the four case study countries between 2016 and 2017, providing a broad evidence base on the exit effects. These interviews took place in person mostly during the field phase. Some of the interviews were conducted by telephone and some of the interviews took place before and after the field phase. Interviews before the

³⁷ Such as Regional Economic Outlooks (IMF), Fiscal Monitors (IMF), Economic Briefs (World Bank), Poverty Outlooks (World Bank), Economic Updates (World Bank), African Economic Outlooks (AfDB), Africa Competitiveness Reports (AfDB), African Statistical Yearbook (AfDB), PEFA Reports, WHO Statistics, Mo Ibrahim Index, Bertelsmann Transformation Index, Freedom House Reports, Open Budget Surveys, UNICEF Reports.

field phase helped to identify further related topics; while interviews after the field phase were of importance to clarify unexpected or contradictory results. Afterwards, the evaluation team coded the interview protocols along the evaluation matrix, using the software MaxQDA. The evaluation matrix was then filled with the findings for each covered topic (e.g. change in aid portfolio, dialogue, harmonization) and the conclusion(s) for each set of findings. The matrix further includes the data sources, from which the findings and conclusions stem, to check for triangulation of sources.

Budget analysis

The evaluation team decided to create ‘custom-made’ budget analysis for each country to broaden the evidence base and triangulate the results. Due to the technical nature of budget-related evaluation questions, it appeared useful to verify and expand the information gathered in interviews with budget data. The budget analyses helped to draft better-targeted interview questions that address issues and particularities arising from the budget analysis. Since data availability is problematic in some of the countries and inside-knowledge on the specifics of the budget process is crucial to understand the developments, the evaluation team subcontracted the budget analysis to national budget experts for each of the four countries.

The budget analysis specifically examined whether budget support effects related to improved budget transparency, budget management and overall PFM were robust. The analysis also assessed the development of how budget support outcomes related to improved public administration, public service delivery, the reduction of non-income poverty and improved macroeconomic performance. The analysis was based on government statistics and budgetary data. In a last step, the findings from the budget analysis were incorporated in the countries’ evaluation matrix.

3.1.4 Limitations

In the literature, theory-based approaches, such as the comparative case study design of this evaluation, are described as a comprehensive method suitable to evaluate complex interventions but they often remain weak in theorizing and testing the causal mechanisms. Although mechanisms are already widely used in theory-based approaches, they seem to remain in the ‘grey box’, where they are untheorized or relegated to assumptions. This under-theorization of the causal mechanism inadvertently undermines the potential to make causal inferences on the contribution of the intervention to the observed outcome (Schmitt and Beach, 2015).

In the context of this evaluation, in relying on causal inferences on the contribution of the exit from budget support to the observed effects, the need to theorize and test the causal mechanisms is strong. Therefore, the evaluation team supplemented the approach of comparative case studies with process tracing (see section 3.2).

Other limitations of theory-based approaches are the transferability of the results to other contexts. The evaluation aims at generating findings, conclusions and recommendations that are transferable to related cases. However, some findings are specific for the individual country case and do not generally offer valid explanations on the effects of ending budget support. In such cases, the comparability of findings between country cases is limited. Nevertheless, through a targeted country case selection of three lower-income countries and one lower-middle-income country (LMIC) in sub-Saharan Africa, four country cases were selected that are comparable among the set of possible case study countries. Thus, most results are transferable to similar country contexts (i.e. low-income countries in sub-Saharan Africa) and external validity is given for these contexts.

3.2 Process tracing

This evaluation employs process tracing³⁸ to test a theorized causal mechanism³⁹ on how multi-donor budget support effects have either been robust or not robust against the exit from the modality.⁴⁰ While the comparative case study design facilitates cross-case comparability, this design alone is insufficient to assess the causal inference on the contribution of the exit from budget support to the observed outcomes. This limitation is addressed by adding process tracing to the comparative case study design, which can provide valid results regarding the causal relationship between exit and outcome (Beach and Pedersen, 2013). Process tracing allows for more analytical depth and, by systematically testing theorized causal mechanisms, increases the inferential strength of individual case studies. The strength of the approach lies in the detailed and rigorous analysis of the causal mechanism in a very specific context. Combining the two elements helped to establish a broad and strong evaluation approach of high internal and external validity.

Process tracing further allows to quantify the certainty about the hypothesis in a transparent and systematic manner using Bayesian logic (Beach and Pedersen, 2013). The Bayesian logic helps to determine the probability of the hypothesis to be true after all information has been gathered and analysed – known as ‘posterior confidence’. Prior to gathering the information, it is necessary to record how likely it appears that the hypothesis of the mechanism part at hand is true. This prior confidence in each mechanism part is then updated, either upward or downward, through the information gathered. This process is called ‘Bayesian Confidence Updating’. The posterior value is the result of the combination of the prior confidence and the updating, which stems from a series of tests.

In this evaluation, the evaluation team applied the process tracing approach to three induced outputs of the intervention logic (public expenditure, public financial management, domestic accountability) in Zambia and Malawi. The process tracing applied to key impact areas of the intervention logic for which the assumed link between the exit from GBS and observed outcomes was particularly strong. The process tracing approach involves four successive steps (Punton and Welle, 2015a), which are presented in the following sections 3.2.1 to 3.2.4.

3.2.1 Step 1: Developing hypothetical causal mechanisms

For testing the theory, the team developed a hypothesized causal mechanism before conducting the interviews that outlined what was assumed to be the most likely scenario leading from the intervention (exit) to the result (e.g. robust PFM). In developing the hypothetical causal mechanism, the evaluation team used extensive background information available from reports and statistics of both government and bi- and multilateral donors. The two previously conducted case studies for Uganda and Rwanda offered important insights into how the causal mechanism might look like in reality. Based on the background information, each hypothesized mechanism assumes the most likely outcome of the exit: either the robust or not robust budget support effects.

The mechanism itself includes several interlinked parts in which actors engage in activities leading in logical consequence to the anticipated outcome (see Table 3). The mechanism parts build seamlessly on each other and thereby create a logical chain of events leading to the expected outcome. In addition, scope conditions were defined, under which the hypothesized causal mechanism is taking place. The scope conditions play a central role because even a mechanism that is confirmed by the tests only holds true in this particular context.

³⁸ Process tracing is defined as a ‘method that attempts to identify the intervening causal process – the causal chain and causal mechanism between an independent variable (or variables) and the outcome of the dependent variable’(George and Bennett, 2005, p. 206).

³⁹ The process tracing scholars define mechanisms as a system that transfers causal forces from intervention to outcome (Machamer *et al.*, 2000).

⁴⁰ This is one of the few evaluations to use process tracing (see: Busetti and Dente (2017); Bamanyaki and Holvoet (2016); D’Errico *et al.* (2017).

Table 3 Hypothetical causal mechanism: Malawi's public financial management as an example

Entity	Activity	Mechanism part
Donors	Suspend BS, but signal willingness to relaunch BS or similar financing modalities ...	1
	... conditional to relaunch of (IMF) structural reform programme	2
GoM	addresses Cashgate scandal issues through PFM Action Plan	3
IMF	provides suggestions on further PFM reforms and monitors performance of IMF structural benchmarks regarding PFM to assess relaunch	4
GoM	Implements PFM Action Plan and IMF reform suggestions ...	5
	... exerts higher discipline in budget execution	6
NAO	Provides a higher number and detail of audits	7
	The dynamic of PFM reform is robust	Outcome

Source: own

3.2.2 Step 2: Operationalization of mechanisms

To confirm or disconfirm the entire hypothetical causal mechanism, the evaluation team applied a sequence of tests to assess whether the individual mechanism parts were present or not. The hypothesis is split into different mechanism parts and those parts are tested with different test questions. In developing the tests, the team indicated prior to the case study what kind of evidence would be necessary to determine if the mechanism part is present in the case – ‘predicted empirical evidence’. Second, the team listed potential sources or ‘means of verification’ in which this evidence might be found, such as programme documents or government strategies.

To use Bayesian updating it was necessary to assign a value to each hypothesis reflecting the probability for each hypothesis to be true before any test was conducted, the so-called prior. The assessment of the trust level in a hypothesis depends on the knowledge the team attained from thorough background analysis of accessible literature on the subject. If the team had no evidence other than common sense to support the hypothesis, the prior is rated 0.5, which is known as the ‘no information’ situation in Bayesian statistics (Fairfield and Charman, 2015). If some background knowledge supported the hypothesis the prior was given a value higher than 0.5 (see Table 4), ranging from 0.6 if it appears theoretically plausible to 0.9 if credible country reports clearly suggest it. The prior value is updated in the analysis process (step 4) and serves as basis for the calculation of the post value, i.e. the confidence in the hypothesis after all information was gathered.

Table 4 Scale for assessing the value of the prior

	No information or plausible assumption available	Plausible hypothesis can be derived from the literature	Information from the literature indicate a confirmation	Information from the literature confirm the hypothesis
Prior ⁴¹	0.50	0.60	0.70	0.90

Source: own

The tests are rated in two dimensions to assess their confirmatory or disconfirmatory power: certainty and uniqueness. Ideally, the combination of tests used to assess the hypothesis contains both dimensions. High certainty of a test means that passing the test is necessary for the hypothesis to hold; thus being able to disconfirm the hypothesis if the evidence is not observed – referred to as hoop test. Tests with high

⁴¹ The values have to be treated as approximations, as process tracing attempts to ‘quantify’ qualitative categories.

uniqueness on the other hand help to strengthen the confirmatory evidence for a particular hypothesis. If not passing the test has no disconfirmatory power, the test is called ‘smoking gun’; if not passing has disconfirmatory power it is called a ‘doubly decisive’ test (Beach and Pedersen, 2013; Befani and Mayne, 2014; Schmitt and Beach, 2015; Van Evera, 1997). A test with neither confirmatory nor disconfirmatory power is called a ‘straw in the wind’, because it gives only a weak indication but it is not a proof (see Table 5).

Table 5 Overview of test types and their characteristics

Test type	Confirmatory	Disconfirmatory	Explanation
Straw in the wind test	✗	✗	If the evidence is observed, this is not sufficient to confirm the hypothesis. If the evidence is not observed, this is not sufficient to reject the hypothesis
Hoop test	✗	✓	If the evidence is not observed, the hypothesis is rejected. If the evidence is observed, the hypothesis is not rejected, but it is not confirmed either
Smoking gun test	✓	✗	If the evidence is observed, the hypothesis is confirmed. If the evidence is not observed, the hypothesis is not confirmed, but it is not rejected, either
Doubly decisive test	✓	✓	If the evidence is observed, the hypothesis is confirmed. If the evidence is not observed, the hypothesis is rejected

Source: based on Befani and Stedman-Bryce, 2016, p. 4

3.2.3 Step 3: Collecting evidence

Data collection for the tests was taking place in interviews with partner governments, development partners and civil society. The interviews were based on an interview guideline with specific questions to test the hypothesized causal mechanism. The team developed target-group specific evaluation questions for each mechanism (see questionnaire in Annex 7.8). To prepare for a systematic analysis, the team coded the interviews per mechanism part, using the software MaxQDA. The innovative feature of process tracing in data collection is that the causal mechanism is explicitly theorized *ex ante* as well as the test question. The data collection then focuses on these hypothetical causal mechanisms.

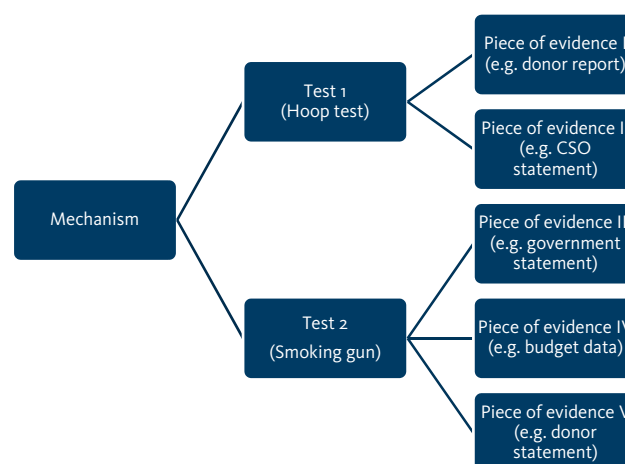
3.2.4 Step 4: Analysis and assessing the inferential weight of evidence (Bayesian updating)

The aim of this step is to analyse the gathered information in order to update (upward or downward) the confidence in each hypothesis to calculate the post confidence. The evaluation team allocated all relevant statements and findings from the field study to the relevant hypothesis and its tests (see Figure 11). These pieces of information should be aggregated into a table to operationalize and systematically analyse the evidence (see Annex 7.11 and 7.12 for a detailed depiction).

The updating of the confidence – upward or downward – is an approximation, but the ‘quantification’ of qualitative results allows comparisons for confidence in all the mechanism parts and the team gathered, before and after the information. The before-and-after difference (prior and post value difference) indicates by how much the confidence in the hypothesis changed through the collected evidence.⁴² The value of the posterior indicates the final confidence in the mechanism part. The comparison across mechanism parts helps to identify the weaker or debatable parts of the mechanism. Overall, these advantages increase the transparency of the assessment.

⁴² An increase in the post value compared to the prior shows that we should put more trust in the hypothesis and that we are more likely to confirm it. If the post value is lower than the prior, the confidence in this mechanism part is reduced or even the entire hypothesis has to be reflected. If the post value is equal to the prior, the confidence was neither increased nor decreased through the gathered data (Schmitt and Beach, 2015).

Figure 11 Schematic representation of the evidence coding process



Source: own

The updating of the confidence in each mechanism partly depends on the probability that the provided information is biased (type I error) and on the probability that the source knows the true answer and is willing to reveal it (sensitivity). (See Annex 7.8 for a more detailed and technical discussion.) The confidence in each mechanism part is calculated using the average of the post values of each test. As a robustness test a weighted average of the test is applied, to account for differences in test types and explanatory power. Due to the high confirmatory power of a doubly decisive test, this test was weighted highest, while a straw in the wind test was assigned the lowest weight. (For a detailed overview of the calculation, see Annex 7.10. and for the results of the robustness check, see Annex 7.11 and Annex 7.12) The quantitative level of confidence can be mapped to qualitative confidence categories. Table 6 below provides an orientation on how to interpret the values used in the evaluation, which is based on Befani and Stedman-Bryce (2016).

Table 6 Categories for different levels of confidence

Category	Level of confidence
Practical certainty	0.99+
Reasonable certainty	0.95 – 0.99
High confidence	0.85 – 0.95
Cautious confidence	0.70 – 0.85
More confident than not	0.50 – 0.70
No information	0.50

Source: Befani and Stedman-Bryce, 2016, p. 14

3.2.5 Limitations

One limitation of the process tracing approach is its high time requirements in the preparation and analysis of the interviews (see Table 7 for an overview). The development of a hypothetical mechanism that is plausible and likely, given the prior knowledge, requires substantial time investment. In addition, each mechanism part consists of several tests that have to be designed and the most relevant information sources for these tests have to be identified. Once the evidence is collected, the time commitment is again substantial given that every single piece of evidence has to be matched to its respective tests. In other qualitative approaches, the analysis is less detailed and leaves these tasks to the reader. In this evaluation, it was possible to limit the time investment thanks to the experience gained in previous surveys in Uganda and Rwanda, strong background knowledge on interests and positions of different stakeholder groups, and an efficient coding method using coding software.

Another limitation is the high knowledge requirement to design a plausible hypothesized mechanism for testing later in the field. Process tracing is a rather narrow approach, in the sense that it usually focuses on one specific mechanism. Hence, developing the causal mechanism requires knowledge and understanding of the subject; otherwise, there is a high risk of drafting a mechanism that is later rejected (Punton and Welle, 2015b). In this evaluation, the experience from previous field studies and strong background knowledge on the topic helped to address this issue.

Confirmation bias is an almost inherent limitation of process tracing as the goal of the approach is to confirm a causal mechanism. Confirmation bias is the tendency to search for, interpret and favour information in a manner that confirms pre-existing beliefs or hypotheses and a common phenomenon in science. By looking only at evidence that is regarded relevant for the hypothesized mechanism, important findings might be overlooked or disregarded because they appear less interesting or less fitting for the mechanism. This evaluation confronted the risk by preparing alternative mechanisms, and by testing the alternative mechanisms in conducting open interviews (semi-structured).

A practical limitation of the approach is that disconfirmation of a hypothesized mechanism can create substantial sunk costs and thereby increases the incentives for a confirmation bias. Sunk costs can occur because of substantial time investments before the survey and during the analysis. If only one mechanism part is unconfirmed, it means that the entire hypothesized mechanism is not true, even though a causal relationship might still exist. In the pursuit of avoiding such sunk costs, the risk for a confirmation bias can be amplified. To circumvent these risks it is helpful if disconfirmation of mechanism parts does not terminate the analysis. Confirmed mechanism parts themselves can be insightful and the approach can be switched from a theory testing to a theory building approach. This evaluation used both techniques.

Lastly, two challenges for process tracing are the access to information and unknown outcomes. Comprehensive access to information, e.g. interview partners or unpublished documents, is key for process tracing, because if the assessment of one mechanism part is impossible, the analysis of the entire mechanism would become impossible. In this evaluation, there was extensive access to information thanks to good local contacts. Unknown outcomes, on the other hand, increase the costs of the process tracing methodology because for every potential outcome the researchers have to design a hypothetical mechanism, which requires additional time investment. This means that process tracing is better suited to evaluations where the outcome is known or at least binary (e.g. robust or not robust).

Overall, the process tracing allows for explicit testing of causal links. The results were assessed carefully to avoid the mechanism being only a proxy for covariate alternative mechanisms or dependent on context factors.

Table 7 General limitations of process tracing and solutions found in this evaluation

General limitation	Solutions found in this evaluation
High time costs during the preparation and analysis stage	Experience from two previous surveys in Uganda and Rwanda; coding software to facilitate analysis
High knowledge requirement prior to the surveys	Experience from two previous surveys in Uganda and Rwanda; drawing on knowledge and experience in the team
Confirmation bias because the objective is to confirm an explicit theory	Alternative mechanisms; triangulation; open interview questions; willingness to adapt the mechanism if necessary
Disconfirmation can lead to sunk costs and creates additional incentives for confirmation bias	Willingness to adapt the mechanism if necessary
Access to the information (e.g. stakeholders and documents) is key to answer the tests	Good network through local consultants
Unknown outcomes increases the number of potential mechanisms which increases the time investment	Did not apply

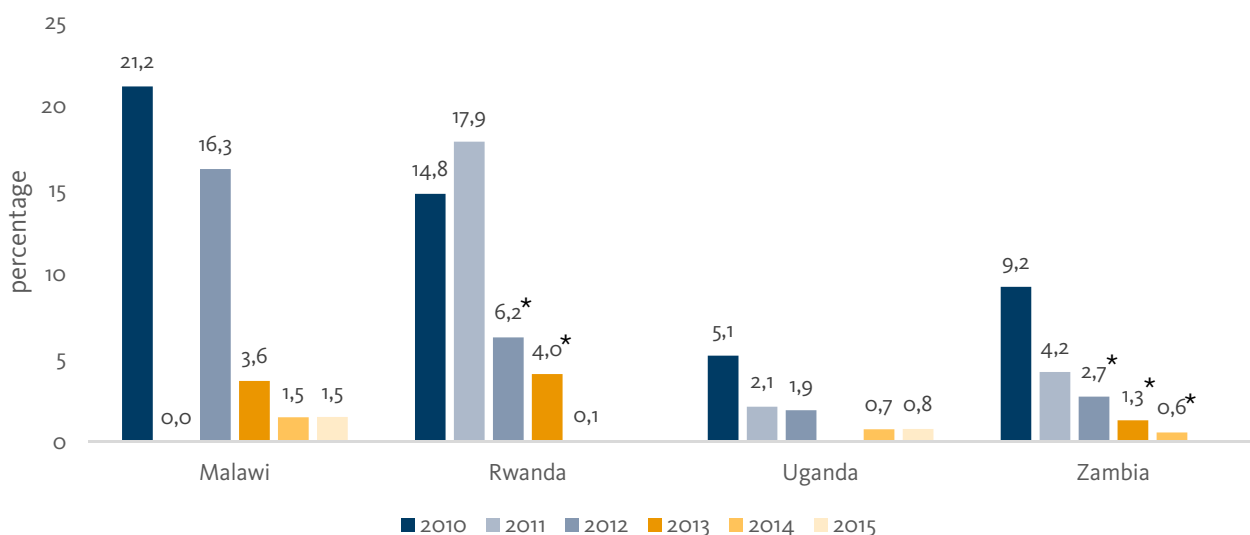
Source: own, based on Punton and Welle (2015b)

4 THE EXIT FROM BUDGET SUPPORT AND ITS IMPACT: FOUR CASE STUDIES

This chapter presents the events leading to the abrupt⁴³ exit from multi-donor budget support and the impact of the exit in each of the four countries – Malawi, Rwanda, Uganda and Zambia. Sections 4.1.1, 4.2.1, 4.3.1 and 4.4.1 form the basis for understanding the detected effects of the exit from budget support in the sections 4.1.2, 4.2.2, 4.3.2 and 4.4.2 and outline the context in which they occurred. As the evaluation concentrates on changes in aid portfolios and the relation between the partner and bilateral and multilateral donors, the context description focuses primarily on the donor and partner actions around the exit and less on reactions from civil society or other actors.⁴⁴ Depicting the evolution of the aid portfolio as well as an outlook on future donor activities serves to further enhance the understanding of the context.

Readers interested in country-specific findings and detailed methodology should focus on this chapter. The country-specific findings also explain in detail the process tracing methodology for PFM, public expenditure and domestic accountability.

Figure 12 GBS disbursements as share of central government expenditure (in %)



**Approximation under the assumption that GNI and central government expenses move in parallel*

Source: World Development Indicators for Net ODA Received (World Bank, 2017a), and CRS for share of GBS (OECD, 2017a)

Note: Dependency on GBS was calculated by multiplying 'Net ODA received (percentage of central government expense)' with 'Share of GBS in total ODA disbursements'. To approximate missing data in Zambia and Rwanda, in a first step, the share of 'Net ODA received (% of GNI)' in '2010 Net ODA received (percentage of GNI)' was calculated. This value was then multiplied with the 'Net ODA received (% of central government expense)' of 2010 to get an approximation of the 'Net ODA received (percentage of central government expense)' of the respective year. For other missing values, GBS disbursement was not reported in the respective year and hence an approximation was not possible.

All four cases had in common that a breach of the underlying principles of budget support served as justification for the exit. Under these circumstances, a trustful cooperation with the partner governments was no longer possible. Political factors and declining appetite for budget support might have spurred the early exit.

The dependence on or importance of GBS for the national budgets was significant in the years before the exit in all four countries and therefore the exit from this instrument had noticeable financial consequences. In 2010, GBS covered at least 5% of the central government expenditure in all four countries, while in Malawi this value was as high as 21% (see Figure 12). Since 2014, at the latest, GBS has virtually lost importance in all four countries.

⁴³ Except for Zambia, the exit has been the reaction to a singular event.

⁴⁴ The context is especially relevant for the applied process tracing methodology as it defines the scope condition of the mechanism. Scope conditions are the 'relevant aspects of a setting (analytical, temporal, spatial, or institutional) in which a set of initial conditions leads ... to an outcome of a defined scope and meaning via a specified causal mechanism or set of causal mechanisms' (Falleti and Lynch, 2009, p. 1152).

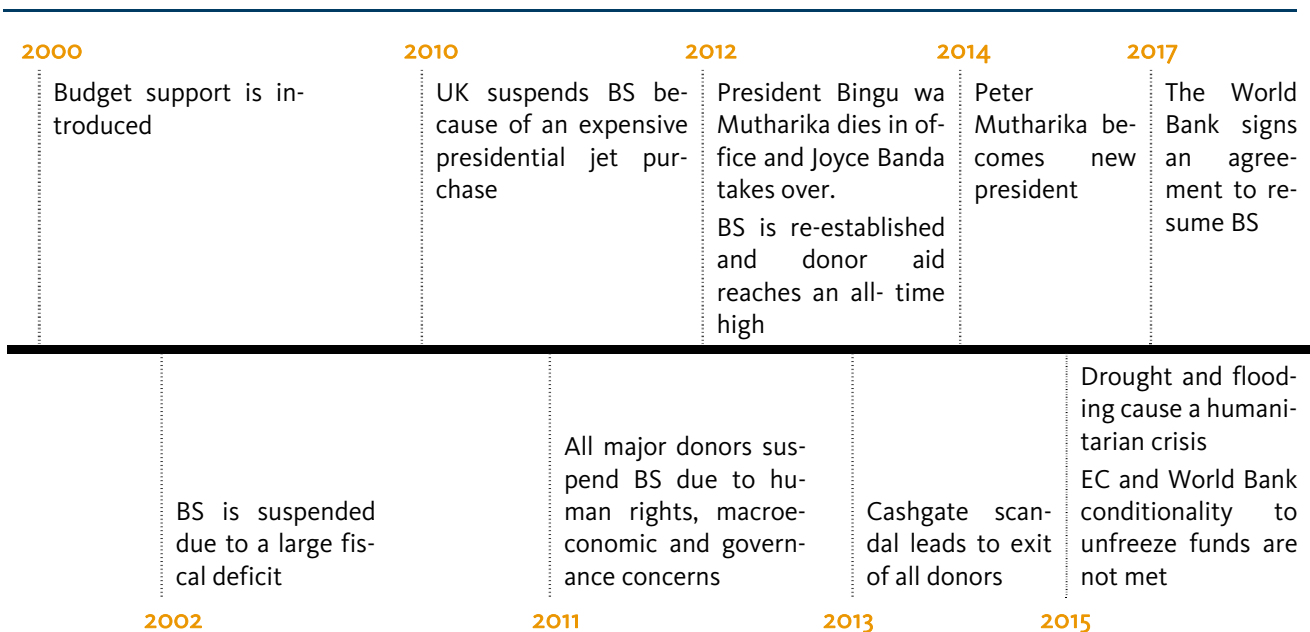
4.1 Malawi

4.1.1 The exit from budget support in Malawi

Budget support started in Malawi in 2000 but as a reaction to macroeconomic and human rights concerns, donors suspended it three times before the actual exit in 2013. The first suspension occurred in 2001/02⁴⁵ as the government's fiscal deficit exceeded the limit defined by the budget support performance indicators. In 2010, the UK suspended parts of their budget support payments to protest against the government of Malawi's purchase of a new luxurious presidential jet for GBP 8 million. Germany reprogrammed part of its budget support in the same year in reaction to a deterioration of press freedom and minority rights. One year later, in 2011, Germany and the UK decided to withdraw entirely from budget support in Malawi, whereas other donors – EC, World Bank, Norway, International Monetary Fund (IMF) and African Development Bank (AfDB) – only suspended their budget support payments. The reasons for this suspension were deterioration of human rights, governance and macroeconomic policies. The suspension was quickly lifted after the surprising death of President Mutharika in 2012 and the presidential election of the opposition party candidate Joyce Banda (Molenaers *et al.*, 2013). Budget support and aid in general reached a new high in that year but came to a sudden halt with the Cashgate scandal.

A massive scandal of theft of public funds – commonly referred to as Cashgate – led donors to abruptly withdraw or suspend GBS to Malawi at the end of 2013 (see Figure 13). Approximately USD 50 million of funds were stolen through illegal transactions via the Integrated Financial Management Information System (IFMIS), making it one of Malawi's largest financial scandals in history (World Bank, 2017a). This massive scandal not only exposed the profound deficiencies of Malawi's PFM system; it also shook donors' trust in the cooperation with Malawi. This led to Norway, the EC and the AfDB suspending budget support in the latter half of 2013, the UK to withholding part of its SBS in the health sector, and Germany to postponing its negotiations with the Malawian government about reinstating budget support (Molenaers *et al.*, 2016).

Figure 13 Timeline of budget support in Malawi



Source: own

Note: For a summary of country-related information and findings, see also the Malawi country-sheet on DEval's website at www.deval.org.

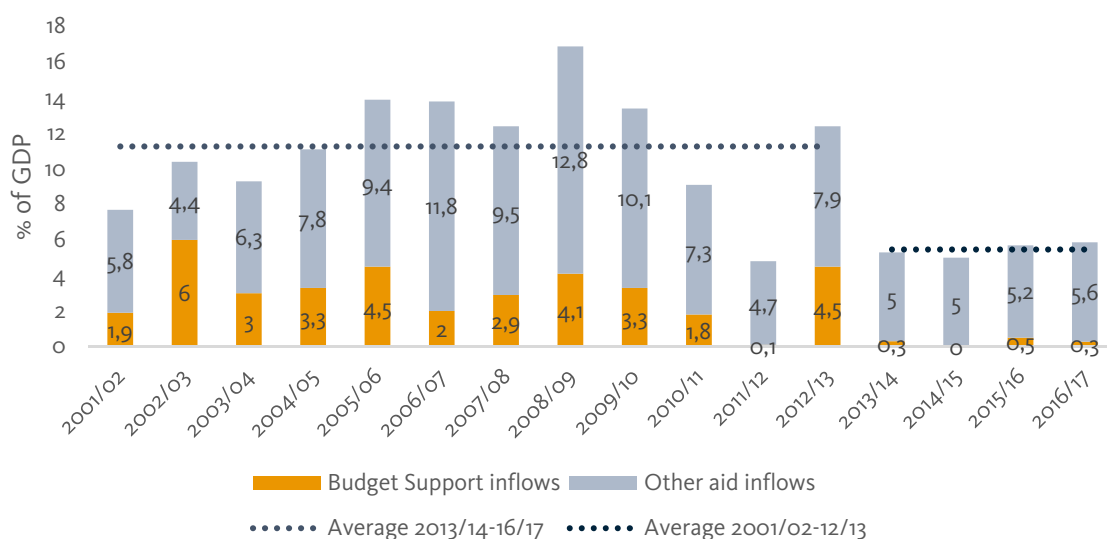
⁴⁵ By the EU, Sweden, Denmark and the UK.

The year before the exit, GBS from six development partners⁴⁶ financed more than 15% of Malawi's budget but this number plummeted to 3% in the year of the exit (see Figure 12). Hence, it was evident that the suspension or withdrawal of budget support would have massive negative repercussions on the Malawian economy. Malawi received almost USD 1 billion in GBS between 2000 and 2013, and USD 500,000 million in SBS. The largest shares came from the World Bank, the EC and the UK. Germany's contribution to GBS was 4.13% of the total GBS disbursements (for details see Annex 7.13); SBS was not provided by Germany (OECD, 2018a).

The Cashgate scandal had implications beyond the suspension of GBS; it increased public scrutiny of public sector performance, while at the same time private sector confidence along with Malawi's international reputation dropped. Thanks to a free press and an active civil society, pressure on the government to prosecute corrupt civil servants and to improve PFM systems was maintained. Against the backdrop of trust in the government systems, the government of Malawi (GoM) committed itself to rebuilding confidence in public institutions and correcting macroeconomic imbalances. The reform dynamic has been improving between 2015 and 2017, although so far only rudimentary aspects of PFM have been addressed and the quality of PFM in absolute terms remains low (World Bank, 2017a).

Changes in the aid portfolio

Figure 14 Malawi's aid inflows: lower level of total aid inflows since exit from GBS⁴⁷



Source: own, based on GoM data

Note: 'Dedicated grants' include grants provided for the financing of sector-wide approaches, pooled arrangements and basket funds; other grants received that are disbursed outside of the budget, through for example non-governmental organizations (NGOs), are not included (World Bank, 2015a).⁴⁸

Since the exit from GBS in 2013, the level of donor support to the GoM declined compared to the GBS period (2000-2013),⁴⁹ and the aid portfolio became more fragmented. Figure 14 confirms what one would expect: the total amount of aid inflows to the MoF is significantly lower after the exit than it used to be

⁴⁶ World Bank, IMF, AfDB, UK, Belgium and Norway

⁴⁷ The data provided by the GoM diverges from the CRS data from the OECD.

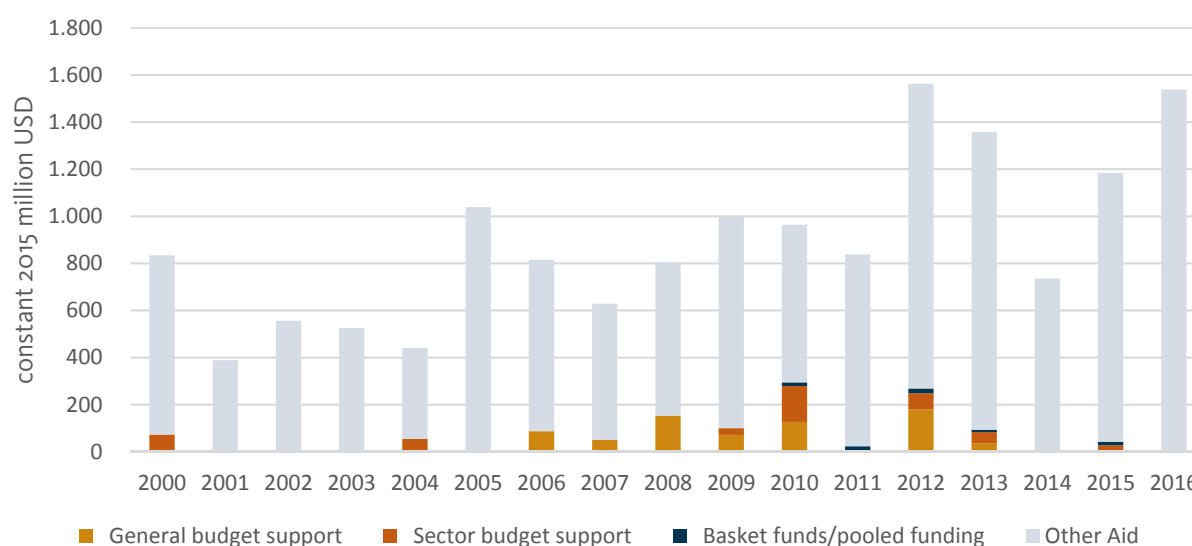
⁴⁸ In the terminology of the GoM's budget, grants are divided into three categories: (a) 'program grants', which includes grants provided as budget support; (b) 'dedicated grants', which includes grants provided for the financing of sector-wide approaches, pooled arrangements and basket funds; and (c) 'project grants', which includes regular project assistance that is included as part of the budget (World Bank, 2015a).

⁴⁹ This excludes the year 2011 when donors temporarily suspended budget support.

before (between 2005 and 2010). The overall ODA support to Malawi, however, declined only very moderately as shown by the ODA commitment and disbursement during that time (see Figure 15 and Annex 7.14).⁵⁰ This demonstrates that the donors' portfolio consists predominantly of off-budget activities to support Malawi. From Figure 16, which displays aid modalities that gained in importance since the exit from budget support, it becomes evident that mainly project-based activities gained in relevance after the exit. Pooling arrangements such as basket funding or SBS were only used after the exit in some sectors like health and education.⁵¹ With these modalities, the donors aimed to compensate for lacking service delivery and to maintain harmonization. In sum, the portfolio became more fragmented as budget support funds were reprogrammed towards project-based activities.

The World Bank decided to resume budget support in Malawi in 2017 after the IMF had signalled their return to the country. The first tranche of the World Bank GBS credit amounts to USD 80 million and is linked to conditionality. The conditions focus mainly on reform in two areas – agriculture and PFM. The IMF programme focused on the strengthening of PFM and the implementation of prudent fiscal policies (IMF, 2017a). The conditionality from both programmes is likely to shape and influence Malawi's PFM policies in the near future. It appears that GBS from bilateral donors is very unlikely to resume in the near future regardless of policy changes in Malawi; this will therefore remain an option only for multilateral donors.

Figure 15 Donor commitments for Malawi by aid type and year

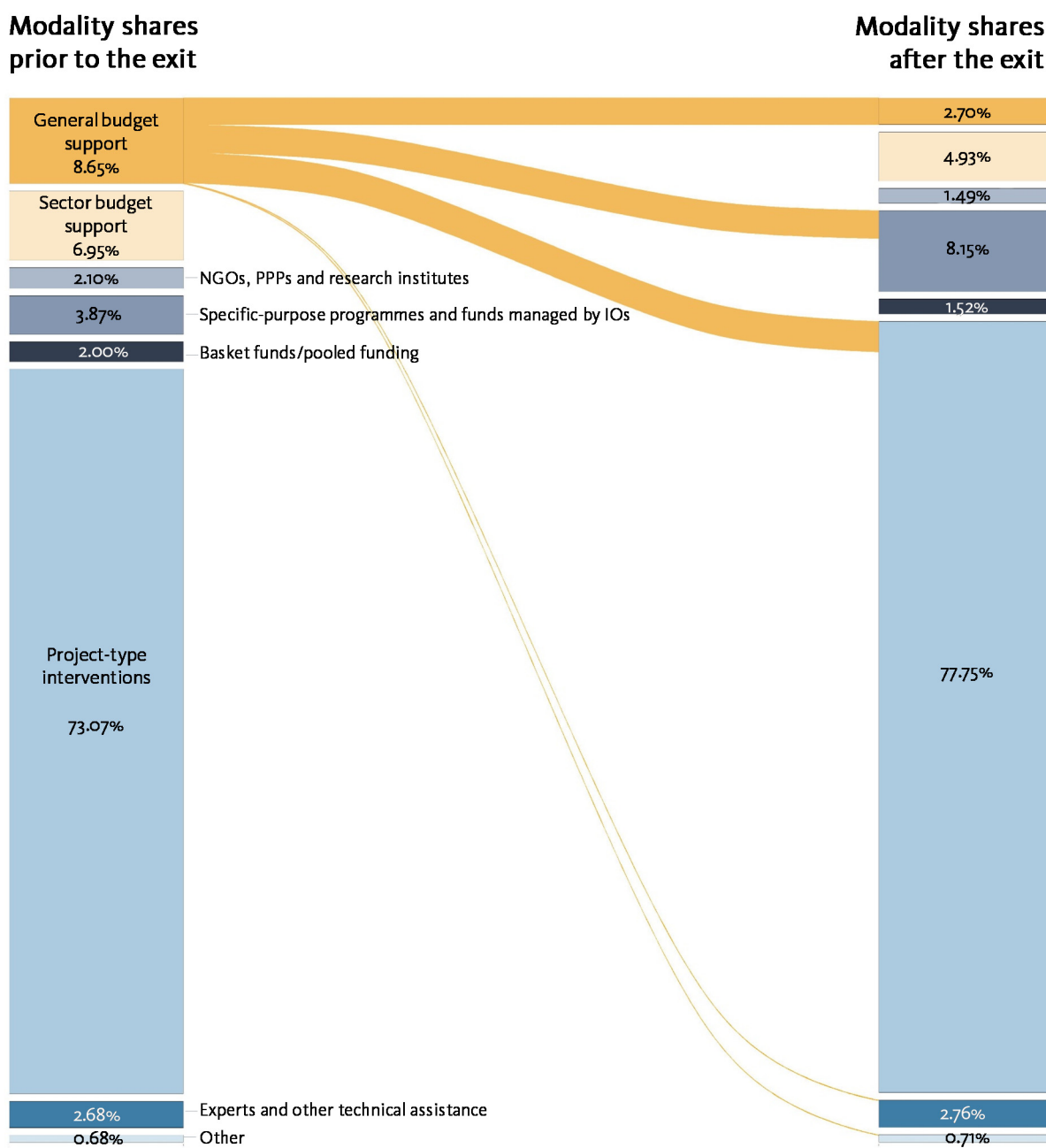


Source: CRS (OECD, 2018a)

⁵⁰ OECD creditor reporting system definitions are used for the different aid type categories. 'Basket funds/pooled funding' is defined as a modality under which the donor relinquishes the exclusive control of its funds by sharing the responsibility with *other stakeholders*. 'General budget support' and 'sector budget support' in contrast, share the responsibility with *the recipient*. 'Other' includes all other aid inflows such as project-type interventions or technical assistance.

⁵¹ Germany, Norway, DFID and the Flanders International Cooperation Agency contribute to a basket funding arrangement for health and education, while the AfDB resumed SBS for these sectors.

Figure 16 Malawi: shares of aid modalities before and after the exit from GBS



Source: CRS (OECD, 2018a)

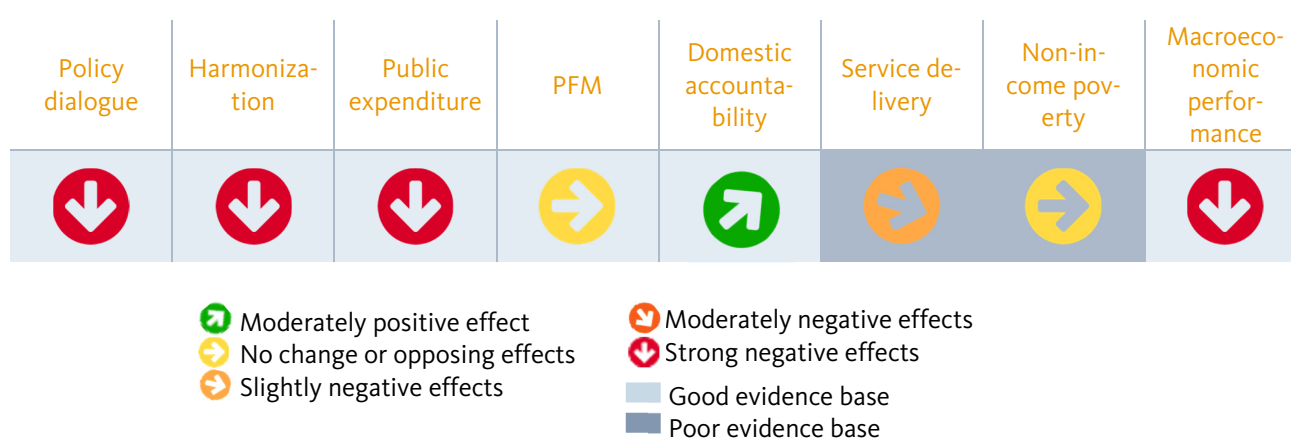
Note: The graph displays the distribution of the aid modalities before and after the exit from GBS. It also shows which and to what extent the other aid modalities absorbed the decline in GBS. The calculation was conducted as follows: First, the distribution – or relevance – of the different aid modalities before (2012 and 2013) and after the exit (2014 and 2015) are calculated by dividing the disbursements of each aid modality by the total aid disbursements (two years before and after the exit). The difference between these two values gives the increase in relevance of each modality. In the final step, the distribution among the modalities that experienced an increase in their relevance since the exit is calculated by dividing the increase in relevance by the sum of all increases.

4.1.2 Impact of the exit in Malawi

In Malawi, the exit effects are mostly negative. PFM, domestic accountability and budget transparency are an exception to this rule, as the Cashgate scandal and the subsequent exit from multi-donor GBS showed the government the urgent need for reforms in these areas (see Figure 17). These findings stand in contrast to results from the evaluation synthesis (discussed in chapter 0) which have been positive.

The eight impact areas have been analysed using two different methodological approaches and hence the causal inference is slightly different across these impact areas. All impact areas have been analysed using a comparative case study design. For PFM, the evaluation team used public expenditure as well as domestic accountability and budget transparency process tracing, and they were therefore able to verify the causal relationship for these impact areas with even higher scrutiny.

Figure 17 Effects of the exit from budget support in Malawi



Source: own, icons provided by Dave Gandy from www.flaticon.com

Policy dialogue

With the exit from multi-donor budget support, the dialogue structure in Malawi collapsed and was only partially re-established in 2015. The quality of the re-established dialogue stayed behind the levels of the dialogue under budget support. High-level policy dialogues stopped in 2013, going hand in hand with the exit from budget support. The dialogue on PFM continued after a short break due to internal and external pressure. The Cashgate scandal had shown the need to reform the PFM system, which created internal reform pressure. The donors amplified reform pressure with a constant push for dialogue. According to donors' and partners' statements, the quality of discussions on PFM decreased compared to budget support times. It appears that the lack of high-level dialogue caused this decline in quality. The dialogue that still exists in some sector working groups (SWG) was not sufficient to compensate for the loss of high-level political dialogue.

Harmonization among donors

The aid portfolio became more fragmented after the exit and harmonization consequently decreased. Most of the aid formerly delivered through multi-donor budget support is now delivered through off-budget project support. Sector-wide approaches are still in place in the health and education sectors, but have disappeared in others. High fragmentation in aid generally impedes harmonization and ownership.

Even in the assessment of the possible return to budget support, fragmentation was visible. In 2015, EC and World Bank jointly developed a policy matrix; based on this, both organizations evaluated the possibility of a budget support return. One year later, the two donors shifted to different performance matrices, with the World Bank returning to GBS. For the EC, the decision to resume GBS was still outstanding at the time of the evaluation.

Public expenditure

Process tracing is applied in addition to the comparative case study design to verify the causal effect of the exit from GBS on public expenditure. Public expenditure is analysed for the health, education and agriculture sectors because these policies typically *intend* to reduce poverty, and studies have shown that expenditure in these sectors is very effective in reducing poverty (Gomanee *et al.*, 2005; Wilhelm and Fiestas, 2005; World Bank, 2007). Growth in the agriculture sector is on average at least twice as effective in reducing poverty as growth outside agriculture according to the World Development Report 2008 (World Bank, 2007). Some of these programmes – for example, agriculture subsidies programmes – might be less poverty relevant in reality than they intend to be. Yet, evidence has shown that these programmes are still pro-poor and generate benefits through higher and more drought-resilient yields (Arndt *et al.*, 2015). Public expenditure for these sectors is the best available proxy to measure the budgetary effort for poverty alleviation.

The hypothetical mechanism for public expenditure displays how the level of public expenditure for education, health and agriculture dropped after the exit from budget support (see Table 8). The evaluation team developed the hypothetical mechanism based on prior information and first explorative interviews. Given the significance of budget support in the national budget and the fragility of the Malawian fiscal situation, the mechanism shows how public expenditure diminished after the exit despite the inclusion of public expenditure targets in the prior action conditions by the World Bank for a re-entry.

The scope conditions considered in designing the mechanisms are as follows (for details see section 4.1.1):

- A massive theft of public funds, known as Cashgate scandal led to the exit from budget support
- The PFM system had fundamental weaknesses and the level of corruption was high
- The share of GBS was roughly 15% of the total state budget
- In 2015 and 2016, Malawi was hit by severe droughts and flooding

Table 8 Hypothetical mechanism for Malawi leading to the decline in public expenditure

Donors	Suspend GBS but signal willingness to relaunch BS or similar financing modalities... ... if conditionality is met (including those related to public expenditure [PE])
Donors and partner government	Have fewer possibilities for policy dialogue
Donors	Continue to finance PE for education, health and agriculture through off-budget support but not on-budget
GoM	Does not have sufficient resources to sustain or improve PE levels
	The level of public expenditure declines

Source: own

Note: A detailed table with all tests for each mechanism part including the assigned probabilities can be found in Annex 7.11.

All donors stopped GBS disbursements to Malawi, and signalled the willingness to relaunch budget support subject to certain preconditions. Donors have recorded the exit in official documents, statements and press releases, which has been confirmed by all donor and government representatives (doubly decisive).⁵² The donors signalled willingness to lift the suspension if certain preconditions were met. The World Bank, for example, formulated nine prior actions to ‘strengthen expenditure management and accountability in public finances’ and ‘make agricultural markets work better’ (World Bank, 2017a; hoop test). The PFM prior actions especially include reforms regarding the performance and reliability of IFMIS, as well as budget transparency. The agriculture focus addresses the inefficiently managed Farm Input Subsidy Programme (FISP). This has not been a poverty-targeted programme and consumed the vast majority of public spending in agriculture, crowding out expenditure in other important areas (World Bank, 2017a). Conditionality of other instruments, such as the Health Services Joint Fund, requires the government to allocate at least 9%

⁵² Throughout the following sections on public expenditure, PFM and domestic accountability and budget transparency, you will find methodological information referring to process tracing. For further information on this method, see section 3.2.

of the total budget to health. Similar arrangements can be found in the education sector (doubly decisive). As country reports and interviews have well documented this part of the mechanism, the overall confidence is high (probability of 0.946).

Box 1 Joint funds in the health and education sectors

These joint funds in the health and education sectors pool funding from several donors that is spent in alignment with national priorities; however, the funding is not disbursed through national systems. Instead, the fund is implemented through fiduciary agents and private banks. This private institution administration is supposed to guarantee control over financial flows. Only if donor conditions are met (e.g. allocation levels to health and education sectors by the government), will extra funds be made available. Some interview partners discuss problems in harmonization as they face different requirements in the set-up and operation of the fund; for example, if funding has to be provided on- or off-budget. Disagreements in the operation of the fund among donors and the administration through private institutions tend to cause a slow-down in the implementation of the joint fund. However, interview partners consider the joint fund a good modality to face the exit from GBS, given the availability of resources and technical advice.

The suspension of budget support decreased the opportunity for donors to have a meaningful high-level policy dialogue. Right after the Cashgate scandal and the subsequent suspension of multi-donor budget support, the main dialogue forum – the ‘Common Approach to Budget Support (CABS)’ – ceased to exist. Dialogue now only takes place at the technical level in the SWGs, which do not address overarching questions or cross-sector issues, among them decisions on budget allocation. Therefore, we have high confidence that the technical dialogue has much weaker leverage in influencing the public expenditure pattern (hoop test). As a result, the quantity as well as the quality of policy dialogue decreased (smoking gun). As one representative from the partner side put it ‘now there is some dialogue, but not at the same level. The momentum was lost and there is no incentive for continued policy dialogue’. Furthermore, it has been reported by donors that bilateral donors’ access to decision makers declined since the exit, as they cannot engage with the partner government in policy dialogue meetings (smoking gun). Overall, we are cautiously confident that this mechanism part is true (probability of 0.846).

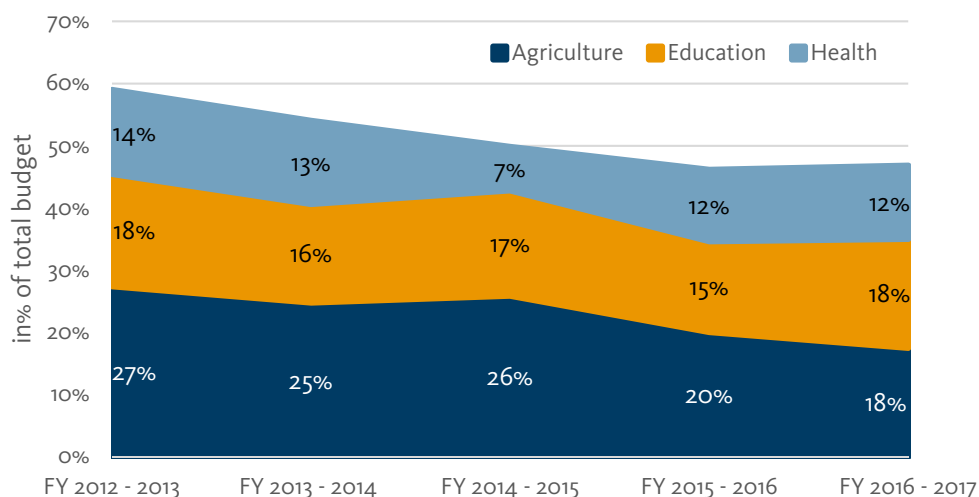
After the exit, donors continued to support the education and health sectors through off-budget support, while on-budget support declined in general. Malawi received humanitarian aid following the exit as the lack of funds and climate shocks in the subsequent years could not be offset by domestic revenue mobilization. The GoM declared a state of disaster in April 2016 and was able to mobilize financial assistance from international partners, mixed with own funding, of around USD 150 million (World Bank, 2016a). Donors provided emergency support to improve food security, agriculture, nutrition, protection and education (hoop test). The first joint programme after the budget support exit was agreed on in September 2015 when the Health Services Joint Fund was created. In 2015, AfDB provided SBS in the health and education sectors as a short-term funding, while other donors chose to stick to project-based financing, or financing activities implemented by CSOs (doubly decisive). The proportion of off-budget aid⁵³ in the total aid inflows increased from 82% in 2012 to 99.6% in 2014. At the same time, the donor fragmentation was noticeable as joint funding virtually disappeared (hoop test). Because of these pieces of evidence, the overall confidence in this mechanism part is cautiously confident (probability of 0.815).

As a result of the declining multi-donor support to the budget, the GoM did not have sufficient resources to maintain budget allocations to education, health and agriculture (in absolute and relative terms). As one of the main revenue sources for the GoM disappeared and expenses for debt service soared, the fiscal deficit increased leading to more borrowing and thereby even higher debt service costs (hoop test). Droughts and floods aggravated this situation in 2015 and 2016. Against this background, it is not surprising that the level of public expenditure declined (measured in percentage of GDP) especially for health and agriculture (not shown here). One should remember that on a per capita basis GDP has been declining since the exit so that less budget per citizen was available. Interestingly the relative level of public expenditure (measured in percentage of the total budget) also declined since the exit in 2013. This finding

⁵³ All types of aid flows except GBS, SBS and pooled funding, based on CRS data.

holds even if the agriculture sector is excluded, which received less funding because of the prior action to reduce subsidies to the highly inefficient FISP programme (see Figure 18). These findings increase our confidence in the hypothesis (doubly decisive) to a level of cautious confidence (probability of 0.776).

Figure 18 Malawi's budget allocation (in % of total budget) – decreases in education, health and agriculture



Source: own, based on GoM data

The exit from budget support caused a decline in public expenditure. The budget allocations for health, education and agriculture declined in absolute terms (measured in percentage of GDP) and their relative share in the total budget declined as well.⁵⁴ This means these sectors were over-proportionally affected by the budget support exit.

Public financial management

The hypothetical causal mechanism for PFM is outlined in Table 9 and shows how the reform dynamics for PFM were sustained. The prospect of donor returns in combination with the need to address the Cashgate scandal led to the creation of a PFM action plan. Its implementation was the driver behind the reform progress. For the scope conditions please refer to the previous section on public expenditure.

Table 9 Hypothetical mechanism for Malawi leading to robust reforms in PFM

Donors	Suspend BS, but signal willingness to relaunch BS or similar financing modalities if conditionality is met (e.g. relaunch of IMF structural reform programme)
GoM	Addresses Cashgate scandal issues through PFM Action Plan
IMF	Provides suggestions on further PFM reforms and monitors performance of IMF structural benchmarks regarding PFM to assess relaunch
GoM	Implements PFM Action Plan and IMF reform suggestions and ... exerts higher discipline in budget execution
NAO	Provides a higher number and detail of audits
	The dynamic of PFM reform is robust

Source: own

Note: A detailed table with all tests for each mechanism part including the assigned probabilities can be found in Annex 7.11.

⁵⁴ This fact is consistent throughout all data sources.

Donors suspended budget support, but signalled their willingness to relaunch budget support or similar financing modalities. The fact that all donors simultaneously suspended budget support following the Cashgate scandal is undisputed and proven by numerous reports (hoop test; IMF, 2014a; World Bank, 2017a). The EC and the World Bank earmarked the suspended funds for future disbursement, so they would be still available for a relaunch (hoop test). The fact that EC and World Bank worked on a common set of conditions upon which they would relaunch their budget support programme shows the willingness to continue their support (doubly decisive). In sum, we are reasonably certain that donors suspend budget support but signal willingness to relaunch it or similar financing modalities (probability of 0.964). We are also cautiously confident (probability of 0.86) that a main prerequisite for the relaunch of GBS and other pooled financing was a successful IMF review. Donors and people from academia confirmed that the IMF has been very influential because IMF decisions serve as a benchmark for other donors.

The GoM created a PFM Action Plan to address deficiencies in the PFM system that led to the Cashgate scandal. The PFM Action Plan was drafted with input from GBS donors (CABS, 2013). It included remedial measures to fix the problems in the PFM system (hoop test). The measures included, for example, a forensic audit or identification of security gaps in the IFMIS software (IMF, 2014a). Shortly afterwards the government signed the PFM Action Plan and put it into action (doubly decisive). The team is almost certain that this mechanism part happened as described (probability of 0.994).

IMF documents and interviews have confirmed that several donor missions monitored and assessed the PFM performance and additional PFM reform steps were agreed on. In 2014, following the development of the PFM Action Plan, Malawi met only four out of seven performance criteria in the IMF review (doubly decisive; IMF, 2015a). During that process, Malawi and the IMF agreed on a structural reform agenda. Reform goals included, for example, fiscal adjustment or PFM reforms to ‘address weaknesses revealed by the Cashgate scandal and restore confidence and trust in the budget process’ (doubly decisive; IMF, 2015a, p. 2). The compliance with these reform goals was assessed in the following IMF missions to Malawi in 2016 and the indicators were ‘back on track’. Regarding PFM it was noted that ‘the implementation of PFM reforms was progressing slowly, but has recently gained momentum’ (IMF, 2016a, p. 15). The confidence in this mechanism part is cautious (probability of 0.753).

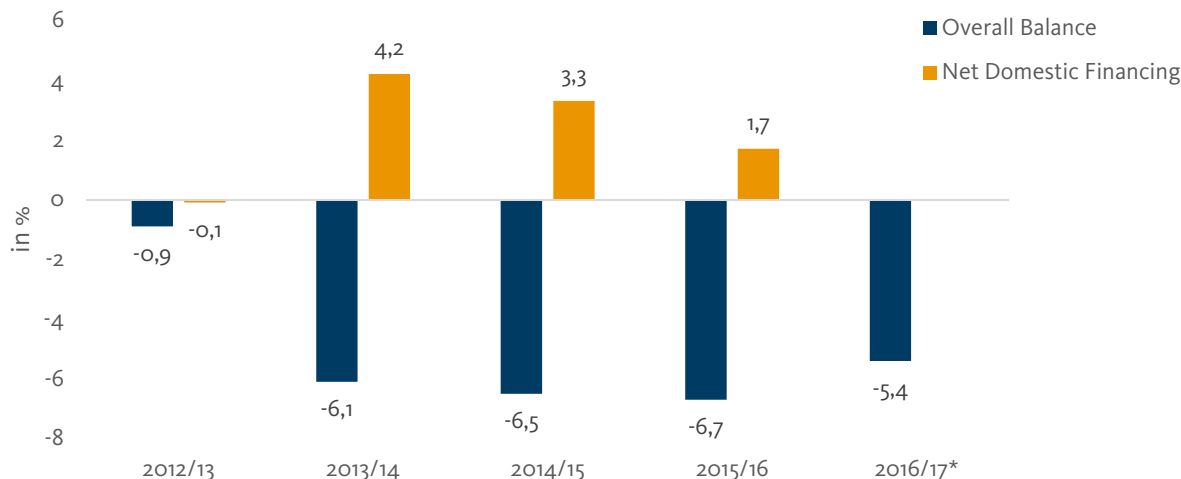
Although not all goals have been achieved, the PFM Action Plan and IMF structural benchmarks have been largely successfully implemented. According to their own assessment, the GoM worked continuously on the PFM targets set by their action plan and the IMF (hoop test), and according to IMF reviews and interviews, the goals have been met partially (doubly decisive). One example that illustrates how the PFM system is improving, but at a low rate, is the target on bank reconciliation: Bank reconciliation was a key prior action of the reform process and has been moving forward. So far, it has been completed for the financial year 2015/2016, but not for the financial years from 2009 to 2015. The confidence in this mechanism part is high (probability of 0.892).

It appears that the MoFEPD exerts higher budget discipline after the exit, even though there is contradictory evidence. Data on budget execution is scarce and only provided in aggregated form, making budget scrutiny difficult and unreliable. While the systems to enforce fiscal discipline improved – for example, by enforcing monthly fiscal reporting (hoop test; IMF, 2016a) – the budget execution only improved during the first half of FY2016/17 (IMF, 2017b). One sign of improvement is the declining level of domestic financing since 2014 (see Figure 19). Owing to a lack in evidence, the evaluation team is only slightly more confident than not that this mechanism part is true (probability of 0.593).

The performance of the NAO improved since the exit, which is evidenced by the increase in the number and detail of audit reports since the exit. With the Cashgate scandal and the exit from budget support, increasing attention was given to good auditing so that the NAO Auditor General received more political and financial support (hoop test). The NAO has provided a higher number of financial audits after the exit and reduced a seven-year backlog in reporting, partly with support from donors (doubly decisive). Problems, however, remain as financial reports are still provided with some delays. Challenges regarding the human resources could be the reason. The Auditor General stated in a 2017 newspaper interview that 43% of the technical positions in the national audit office are vacant and that ‘only 20% possesses relevant professional

and academic skills' (Khamula, 2017). Overall, we are cautiously confident in this mechanism part (probability of 0.65).

Figure 19 Large budget deficits and high but declining domestic financing (in % of GDP)



* IMF projection

Source: IMF Malawi Country Report 2017 (IMF, 2017b)

The exit from multi-donor budget support created momentum for PFM reform in Malawi due to external pressure. The exit from budget support had such a strong financial impact on Malawi and once it was realized that donors would not return if things remained the same, PFM reforms were addressed. The IMF and the World Bank integrated PFM reforms into the prior actions of their credit lines so that the GoM was eager to reform PFM to regain external financial support. Initially, the Cashgate scandal was certainly a setback for PFM reforms in Malawi, but it also visualized the necessity to improve PFM.

Domestic accountability and budget transparency

For Malawi, the robustness of multi-donor budget support effects on budget transparency and domestic accountability against the exit from the modality was tested with process tracing. A combination of external and domestic incentives led to this change (see Table 10). Following the literature on democratization in sub-Saharan Africa, either domestic or external incentives or both can trigger changes in domestic accountability (Cheeseman, 2015; Crawford, 2000; Joseph, 1997; Levitsky and Way, 2006). It appears that both strands were present in Malawi and led to an improvement of domestic accountability and budget transparency since the exit.

Description of the hypothetical process:

When donors suspended their budget support payments due to the Cashgate scandal, they also signalled the willingness to relaunch budget support or similar financing modalities if a certain conditionality – including reforms on budget transparency and domestic accountability – was fulfilled. This external incentive could have motivated the GoM to push reforms in order to secure future financing. Also, the Cashgate scandal could have further sensitized CSOs and domestic accountability institutions (DAI) for shortcomings in transparency and accountability. As a result, CSOs and DAI could have demanded budget information from GoM – increasing the domestic pressure or incentives. As a response to these possible developments, the GoM provided more and better quality budget information to the public and allowed DAI to participate in the budget process. This enabled DAI and CSO to conduct budget scrutiny and provided policy recommendations to the GoM. The GoM reacted positively to these recommendations and adapted its policies.

The first mechanism part and the scope conditions were described in the previous paragraphs on public expenditure and PFM and apply to this mechanism as well.

Table 10 Hypothetical mechanism for Malawi leading to robust effects on budget transparency and domestic accountability

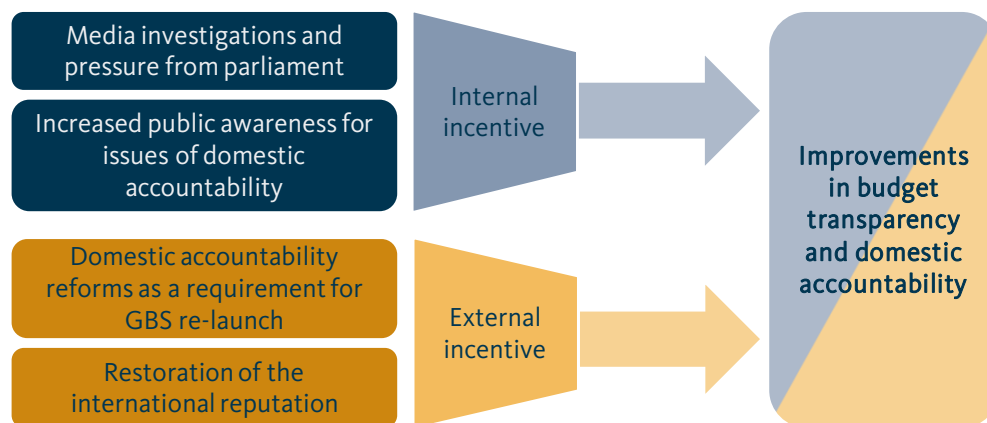
Donors	Suspend GBS but signal willingness to relaunch BS or similar financing modalities if conditionality is met (including BT-related conditionality)
GoM [DAI & CSO]	Is motivated to secure future financing [Demand budget information from GoM]
GoM	Provides more and high quality budget information to the public and allows DAI to participate in the budget process
DAI	DAI conduct budget scrutiny and provide policy recommendations to GoM
GoM	Reacts positively to these recommendations and changes its policies
	Budget transparency and domestic accountability are improving

Source: own

Note: Square brackets represent the domestic incentive. A detailed table with all tests for each mechanism part including the assigned probabilities can be found in Annex 7.11.

The GoM was motivated to improve domestic accountability in order to secure future financing, which shows that external incentives played a role. The GoM reacted with a one-year delay to donor incentives and pressure, possibly because it took time to realize that the donor threat of not returning was credible. The reform dynamic started to take off after this one-year delay with the GoM addressing the prior actions ascribed by the World Bank and the IMF (smoking gun). The confidence in this mechanism part is rated as high (probability of 0.867) and the internal strand of the mechanism seems to be of high relevance too.

Figure 20 Internal and external incentives as triggers for policy change



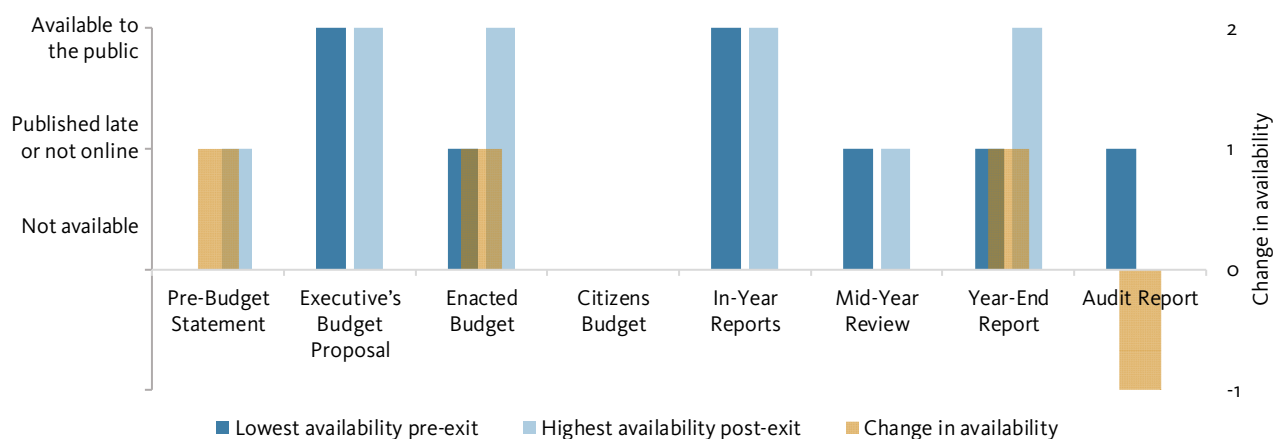
Source: own

The DAI and CSO demanded budget information from the GoM in reaction to the exit and the Cashgate scandal. Hence, it appears that internal incentives also played a role; therefore the combination of internal and external incentives triggered a policy change (see Figure 20). Among donors and partners, there is broad consensus that DAI and CSO increased pressure on the government to improve accountability and transparency because the Cashgate scandal had been too massive to ignore (doubly decisive). The scandal shook up the Malawian public and augmented awareness for issues of domestic accountability in the society. The media – consistently described as independent and strong – also focused strongly on

domestic accountability issues in the aftermath of the scandal by investigating and following up on allegations. An important role for the internal incentive channel is the parliamentary opposition. The general election of 2014, only one year after the scandal, shifted powers in parliament. As a result, no party has an absolute majority, which helped to strengthen the role of parliamentary oversight from the opposition parties. The confidence that CSO and DAI conduct more scrutiny is rated as cautiously confident (probability of 0.8).

In response to these incentives the GoM started to provide more and higher quality budget information to the public and allowed DAI to participate in the budget process. The access to budget information is generally perceived as good and has been improving since the exit, as confirmed by CSOs and donors (smoking gun). After 2014, the GoM started to make budget planning data publicly available (see Figure 21). This undisputable improvement has its limitations because data on budget execution is scarce and only available at an aggregated level. The MoFEPD website provides some evidence that transparency on budget expenditure is still problematic. The folder 'Budget Execution' is empty, while the folder 'Budget documents' contains 22 documents.⁵⁵ Figure 21 shows that the availability of documents remains constant or improved with the exception of audit reports.⁵⁶

Figure 21 Public availability of budget documents before and after the exit in Malawi



Source: *Open Budget Survey 2017 (Kubalasa, 2017)*

Note: The availability of the document shows a great variance and does not always follow a clear trend in the four countries so it was therefore decided to use a conservative approach, which ensures that negative 'changes in availability' reflect definitely deteriorations. This is why the lowest value before the exit is compared to the highest value after the exit. 'Lowest availability pre-exit' includes the minimum value for the 2010 and 2012 surveys and 'Highest availability post-exit' includes the maximum value from 2015 and 2017 surveys.

The participation of DAI in the budget process has substantially improved as well as the output of the NAO. Despite the fact that publications of current audit reports seems to be declining a seven-year backlog in financial reports has been cleared since the exit and provides a basis for better budget transparency in the future (smoking gun). The reduction of the backlog was part of the World Bank's prior action for a new Development Policy Operation credit (World Bank, 2017a), as well as the access to information bill. The bill was passed in 2017 and is considered a milestone because it allows public access to government information. Yet, parliamentarians and CSOs also claim that these changes were the result of domestic pressures. Therefore, it is unclear if the domestic incentive, the external incentive or both were decisive. Even though improvements in output were achieved, the NAO still lacks independence, because reports from the NAO are presented to the Minister of Finance first and only thereafter to the parliament. This process undermines

⁵⁵ It should be noted that for some sectors information on budget execution is available in different folders.

⁵⁶ It should be noted that the method of representation compares the minimum of available documents prior to the exit (two surveys – 2010, 2012) with the maximum of available documents after the exit (two surveys – 2015, 2017). This constitutes a conservative approach because declining availability is by all measures a decline.

the oversight function and independency of the NAO because issues addressed by the NAO are likely to affect mostly the MoF.⁵⁷ Overall, budget transparency seems to be slightly improving and the confidence in this mechanism part is high (probability of 0.870).

Equipped with better information, DAI were able to carry out better budget scrutiny and provide policy recommendations to the GoM. The parliament's budget scrutiny is apparently improving compared to the budget support era (hoop test). The open budget index confirms this because the budget oversight by legislature increased from moderate in 2012 to strong in the 2015 assessment (Kubalasa, 2015). A representative from the civil society said: 'The way the parliament is constituted right now, with lots of members of the opposition party, budget scrutiny is quite strong.' This quote also shows that development is not solely attributable to the exit from budget support. A stronger opposition in parliament is enhancing the budget scrutiny and might be a different 'piece of the puzzle' to explain why domestic accountability and budget transparency improved. CSOs are increasingly involved in the budget process through requests from MPs and provide policy recommendations. This not only helps CSOs to convey their messages, but it also helps MPs to fulfil their budget scrutiny role. However, CSOs have limited or no access to expenditure data, although MPs rely on and appreciate their analysis (doubly decisive). This contradictory evidence and the unequivocal evidence only allows us to be cautiously confident that this mechanism part is true (probability of 0.859).

It appears that the GoM reacted positively to recommendations from CSOs and DAI and changed its policies accordingly, but there is also contradictory evidence. The GoM is now providing a platform for DAI to present recommendations (hoop test). The implementation of the access to information bill is an example for the inconclusiveness of the findings. It remains controversial whether the GoM implements these recommendations (doubly decisive) or not. While DAI and MoF confirm that the GoM is acting on the recommendations, donors and CSOs are not aware of the GoM's reaction to any recommendation (contradictory doubly decisive). It has been argued that even if this bill is passed, funding will determine if it actually increases accountability and transparency or remains a lip service. It seems that both groups have an equally high incentive to be biased in their presentation of the facts. However, the statements from DAI and MoF have a somewhat higher sensitivity because they are more likely to know the right answer, giving their statements a higher post confidence. Due to the contradictory evidence, we are only a little more confident than not that this mechanism part is true (probability of 0.71).

Since the exit, domestic accountability in Malawi has continued to improve on both the demand and the supply-side due to external and internal pressure. The effect is, at least partly, caused by the exit from multi-donor budget support. The prospect of a donor return and domestic incentive stemming from pressure of CSOs and parliamentary opposition demanding higher budget transparency and more domestic accountability is evidence of improvements on the demand-side and has simultaneously led to improvements in domestic accountability. The internal pressure is, however, mostly the consequence of the Cashgate scandal and the exit from budget support was, at most, additional proof of the gravity of the situation.

Service delivery

In Malawi, the evidence gathered in interviews suggests that service delivery deteriorated after the exit from multi-donor GBS and had negative repercussions on the amount and quality of services delivered in the health and education sector. For example, in UNICEF'S national budget brief (2017) it is stated that 'the ability of the GoM to provide essential public services to children and to respond to the humanitarian crisis, has, in recent years, been severely constrained by limited fiscal space [...] increasing debt service costs and reduced budget support by donors'. The pupil-teacher ratio increased from 61 in 2010 to 66 in 2015, which implies a worsening of service delivery in the education sector. Other data on service delivery in the social sector after the exit is not available.⁵⁸

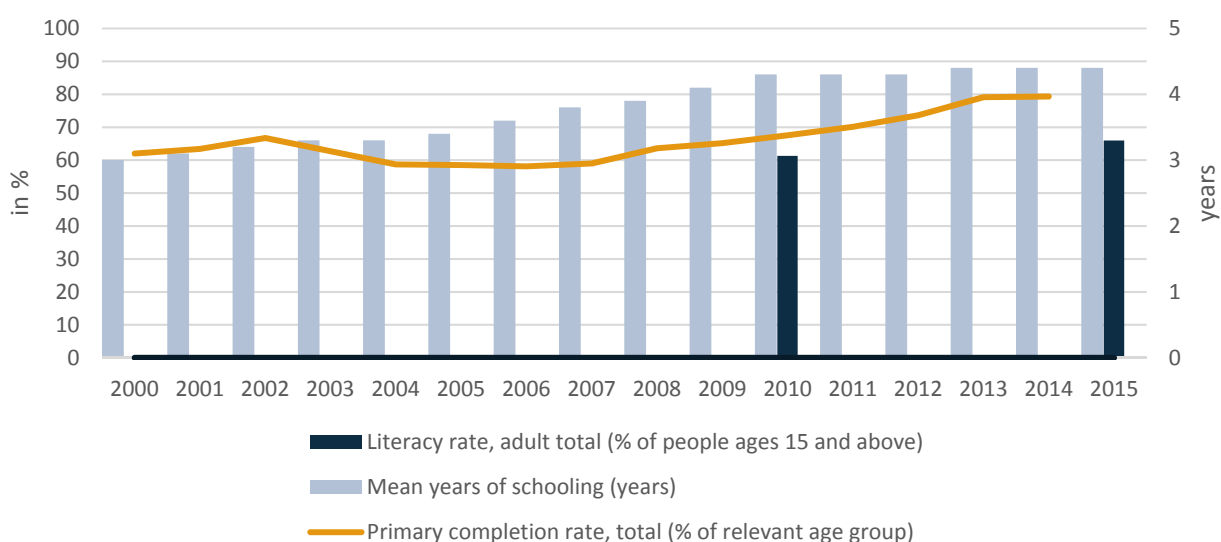
⁵⁷ A bill is reportedly under way to change this process. The bill will also protect the tenure of the auditor general because so far the president could dismiss him any time.

⁵⁸ Even very recent reports from the World Bank 2016, 2017 do not provide data on service delivery after 2013 (Ravishankar et al., 2016; World Bank, 2017b).

Non-income poverty

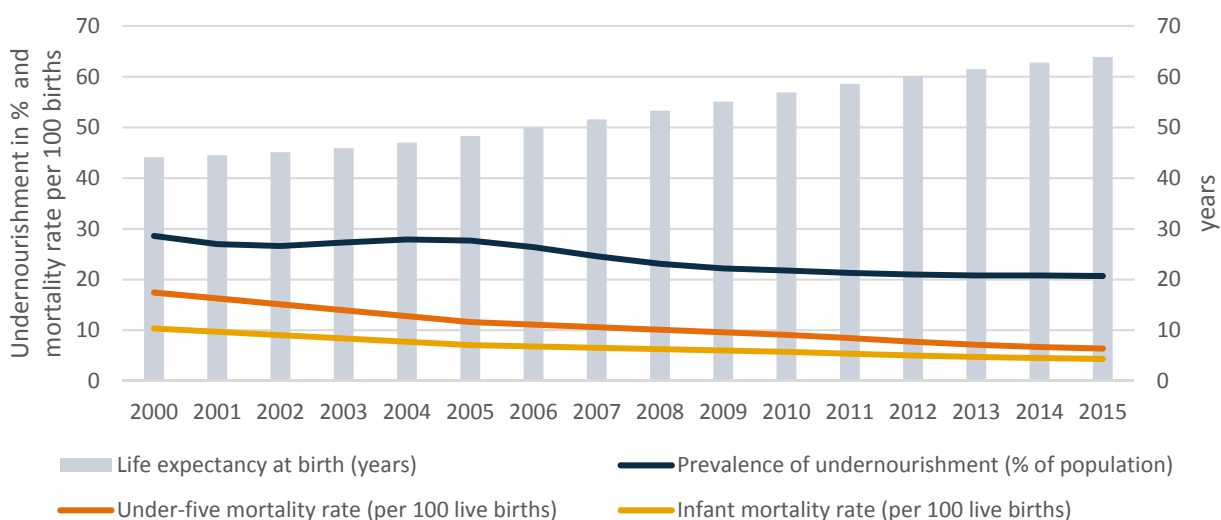
It appears that the exit from multi-donor GBS had no sizeable impact on non-income poverty as trends in the health and education sector continued. Data on education and health show that non-income poverty improved while budget support was disbursed. Figure 22 indicates that the primary completion rates were dropping in the early years of budget support but have been increasing since 2007 and throughout the exit. The indicators on health show that the situation has been improving constantly since the inception of budget support (see Figure 23), and continued to do so after the exit. Finally, Figure 24 shows that between 2010 and 2015 indicators for under-nutrition have continued to decline, which is surprising given the severe humanitarian crisis in the survey year (2015) and accelerated demographic growth. This means that non-income poverty has improved during the exit from budget support; however, a causal link has not been established in any study.

Figure 22 Education indicators for Malawi



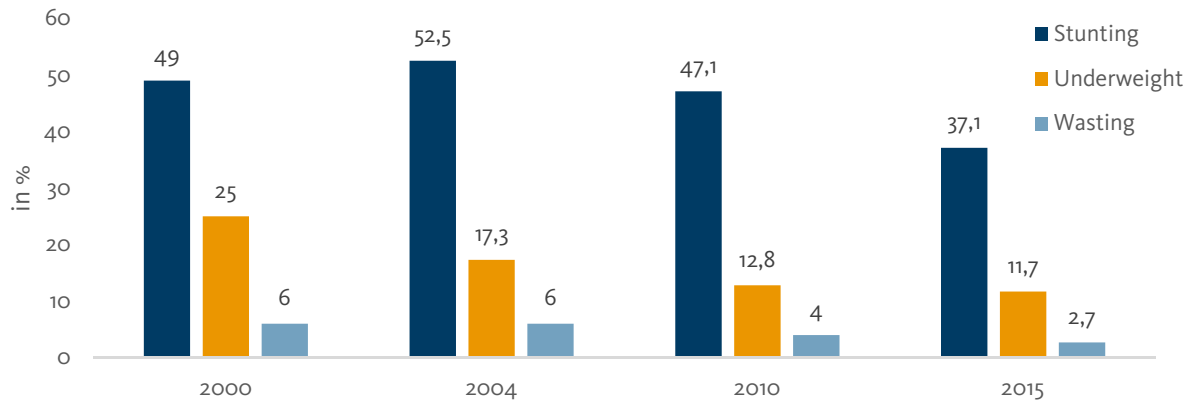
Source: World Development Indicators (World Bank, 2017c)

Figure 23 Health indicators for Malawi



Source: World Development Indicators (World Bank, 2017c)

Figure 24 Trends of under-nutrition in Malawi



Source: Malawi post disaster needs assessment (World Bank, 2016a)

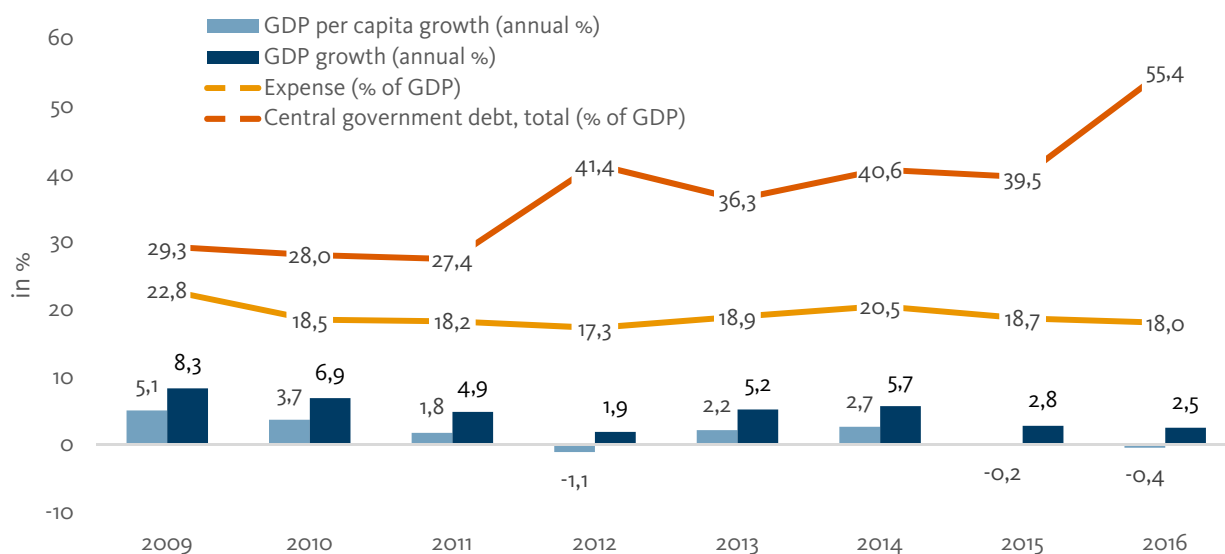
Macroeconomic performance

The national budget was financed up to 15% by GBS. Therefore, the exit hit the country's economy particularly hard and macroeconomic indicators deteriorated afterwards. Figure 25 shows the detrimental macroeconomic situation Malawi was facing after the exit. GDP growth per capita has been negative in 2015 and 2016 and the level of central government debt has been increasing from around 40% of GDP to over 50% of GDP in the same period. Interestingly the short-term repercussions on the GDP growth were less pronounced than in the other countries. The GDP growth rate was slightly above the sub-Saharan growth average in the year of and after the exit (see Figure 71). The IMF (2017c) and the World Bank (2015a) concluded that the exit from GBS led to the build-up of debt (especially domestic debt). The exit from multi-donor GBS 'placed the Government's fiscal accounts under enormous pressures. These pressures resulted in a substantial increase to the budget deficit, which reached a value equivalent to 8.6 percent of GDP in the 2013/14 fiscal year, compared to 1.3 percent in 2012/13' (World Bank, 2015a, p. 4). The breakdown in fiscal discipline resulted in a large accumulation of arrears and thereby debt.⁵⁹ The total value of outstanding arrears, owed mostly to utilities and private creditors reached the equivalent of 7.9% of GDP in 2013/14 (World Bank, 2015a). This breakdown of fiscal discipline and increased debt levels would have been less likely if GBS and its inputs (conditionality, technical assistance etc.) were still in place.

The large fiscal deficit pushed the GoM into high domestic borrowing, which typically has adverse effects for the exchange rate, inflation and crowds out private borrowing (IMF, 2017c). Both domestic and external debt increased by an amount roughly equivalent to 10% of GDP. However, domestic debt had been much lower prior to the exit (see Figure 25). The annual domestic borrowing increased from -0.2% of GDP to 5.9% of GDP in the year of the exit (2013/14) and remained high at 4.8% of GDP in the following year (World Bank, 2015a). This domestic borrowing from the central bank dampened private sector investment and limited economic growth. The cost of all debt service payments increased from the equivalent of 2.4% of GDP in 2012/13 to 6.0% in 2013/14. Figure 26 shows that the share of tax revenue required to cover debt service costs increased from 13–15% during the GBS period to 20–25% after the exit, which was worsening the already tight fiscal situation further. The costs were particularly high due to high interest rates and the short-term profile associated with government securities. The World Bank (2015a, p. 16) concludes that the high cost of borrowing in combination with the exit from GBS and the unstable economic situation has created 'a vicious cycle of domestic debt dependency'.

⁵⁹ Arrears are essentially a form of off-balance sheet domestic borrowing that takes liquidity out of the domestic private sector and undermines future investment.

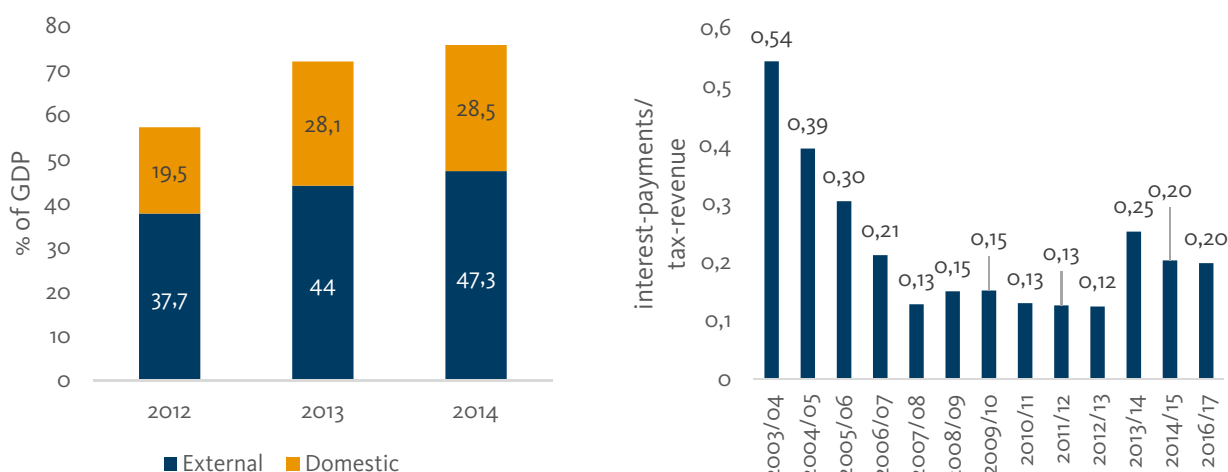
Figure 25 Malawi macroeconomic context – GDP growth, debt and expenses



Source: World Development Indicators (World Bank, 2017c)

The unattractive interest rate in combination with the decline in foreign currency inflows (GBS payments) probably had negative effects on the exchange rate. As laid out by the IMF, Malawi's 'exchange rate came under considerable depreciation pressure in the latter stages of 2014' (IMF, 2015a). This was because of the seasonal phenomenon due to the end of the tobacco harvest, which was exacerbated by the high interest rate. The current account deficit also increased because of the exit. The value of the current account deficit increased from the equivalent of 1.8% of GDP in 2013 to 5.1% of GDP in 2014, 'primarily due to the large decline in grants resulting from the suspension of donor support' (World Bank, 2015a, p. 11).

Figure 26 Malawi: increase of the debt level (especially domestic) and debt service costs



Source: Malawi Country Report (IMF, 2015a) (left), own (right)

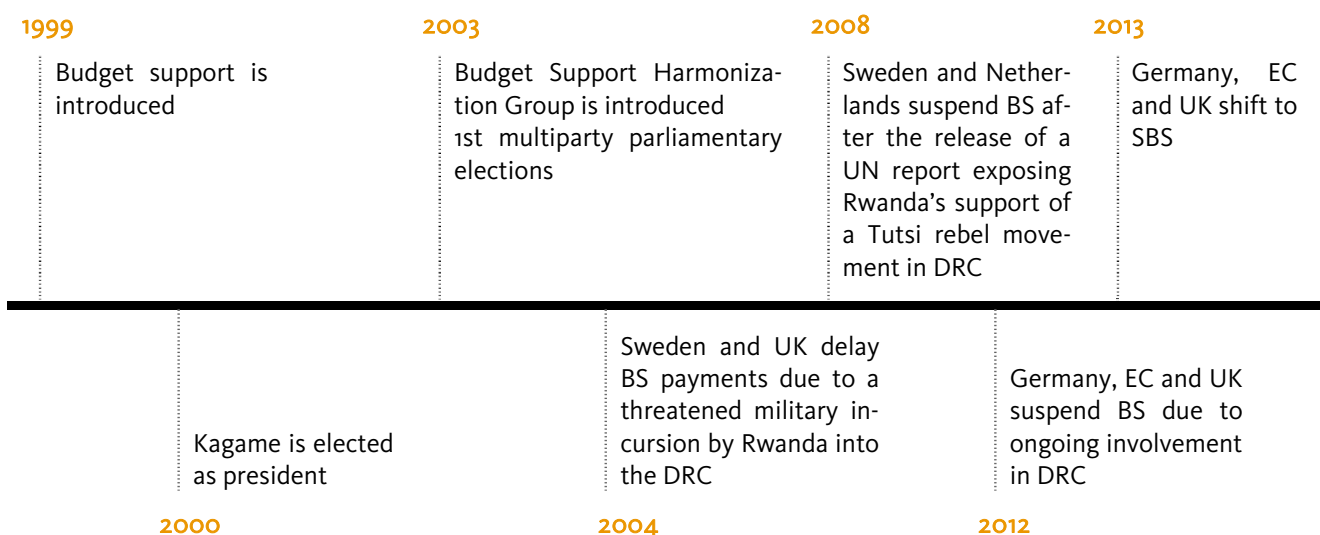
Due to the large share of budget support in the country's budget, it is very likely that the omission of budget support contributed to the macroeconomic instabilities. It is hard to imagine how any country could offset a sudden 15% decline of its budget and not experience any macroeconomic instability. Although it is difficult to accurately assess how the GDP would have developed if budget support were still in place, it seems that in the case of Malawi the importance of budget support was simply too large to not have a negative effect on the economy.

4.2 Rwanda

4.2.1 The exit from budget support in Rwanda

After allegations of Rwanda's involvement in human rights violations in the Democratic Republic of Congo (DRC), GBS donors gradually suspended their activities between 2008 and 2013 (see Figure 27). Sweden and the Netherlands were the first to suspend their GBS payments in 2008 in reaction to Rwanda's alleged involvement in the armed conflict in DRC. In 2012, the EC, Germany and the UK followed suit by suspending their payments for the same reason. The donor community considered budget support to be instrumental to foster political stability in post-genocide Rwanda to prevent the country from slipping back into conflict (Molenaers *et al.*, 2013). Rwanda's involvement in DRC was seen as a source of further destabilization in the region, which stood in stark contrast to otherwise very positive developments in terms of poverty reduction and economic growth in the country. Already the comparison between the Rwandan and the Malawi case shows that a uniform exit strategy did not exist and different donors regarded different incidences as no longer tolerable, which implied an exit.

Figure 27 Timeline of budget support in Rwanda



Source: own

Note: For a summary of country-related information and findings, see also the country-sheet Rwanda on DEval's website at www.deval.org.

Rwanda started to receive GBS in 1999 from nine donors. GBS contributed on average 12% of the government's budget between 2002 and 2014. The year before the exit this value rose to 18% (see Figure 12) (OECD, 2018a; World Bank, 2017c). In 2003, a 'Budget Support Harmonization Group' was established to enhance the coordination of budget support in Rwanda. Rwanda's threat to intervene in DRC became an issue for donors as early as 2004 and induced delays of budget support payments by Sweden and the UK (Molenaers *et al.*, 2016). Regardless of these early interruptions in disbursements, Rwanda received a total of USD 823 million in GBS and over USD 1 billion in SBS between 2000 and 2013. The largest donor of GBS was the UK, and the World Bank was the largest donor of SBS. Budget support payments by Germany amounted to USD 46 million (6% of total GBS) in GBS, and USD 8.5 million in SBS (1% of total SBS) (OECD, 2018a) (for details see Annex 7.13).

Changes in the aid portfolio

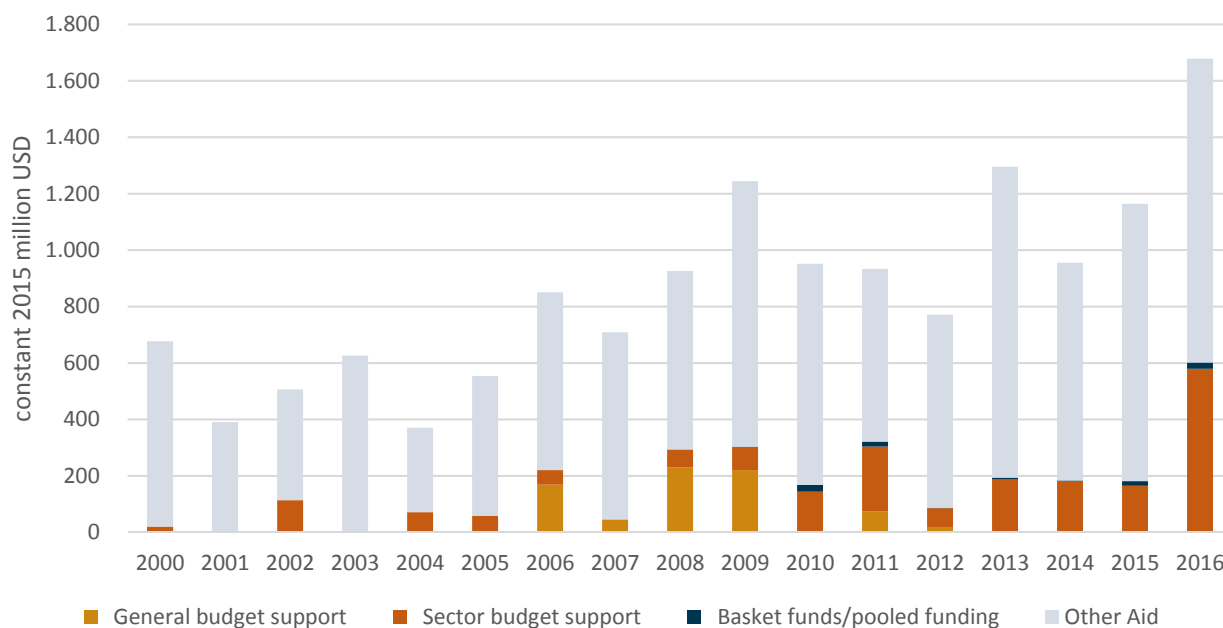
After donors' exit from GBS, Rwanda was temporarily facing a lower level of donor financing as both the Rwandan government and donors took some time to adjust to the suspension of budget support.

Since 2013, the total amount of donor financing reached levels similar to the GBS period, although the majority of it is provided in the form of project funding (see Figure 28). In 2013, budget support by the EC, Germany and the UK was reinstated, but shifted to SBS (Molenaers *et al.*, 2016). Since the exit from GBS, SBS disbursements in fact increased and remained at more or less constant levels. However, only a single or very few donors per sector provide SBS in accordance with the government's 'Division of Labour' plan.

The Rwandan government introduced a division of labour among donors to coordinate donor support, assigning each of them to specific sectors. With a few exceptions, each donor is now active in a maximum of three sectors in order to improve coordination and reduce transaction costs, and to better contribute to the government's national development strategy. In some sectors, only a single donor is active in SBS (e.g. Belgium in health). The division of labour forced some donors to change their sector portfolios (e.g. Germany had to leave the health sector). However, the division of labour helped to avoid the problem of overcrowding some sectors while underfunding others.

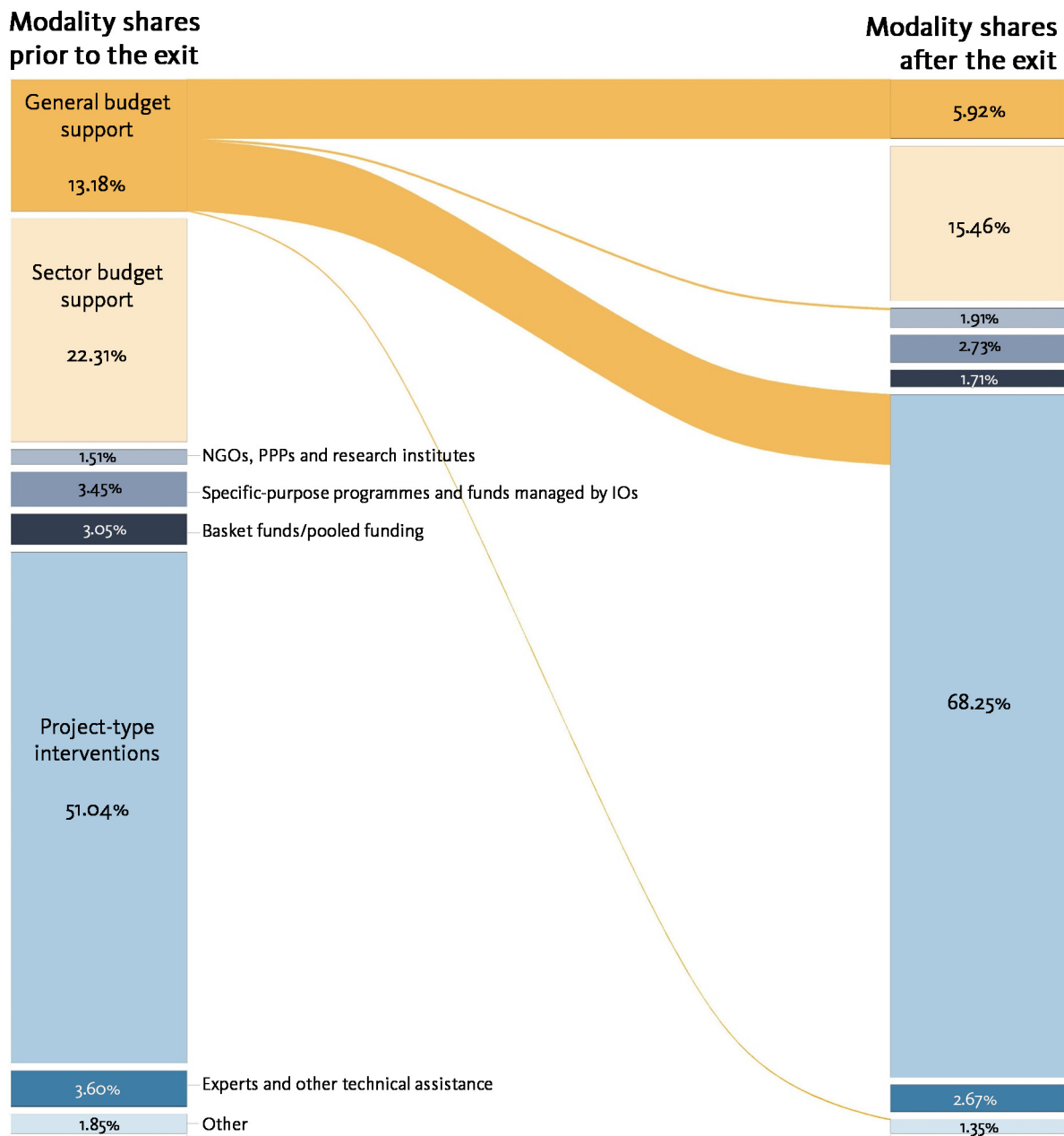
Overall, the aid portfolio became much more fragmented and joint programming occurs only in a few sectors and programmes. Figure 29 shows that since the exit from GBS, the distribution of aid modalities changed in a way that predominantly favours project-type interventions and, to a much lesser extent, SBS and contributions to multilateral programmes and funds. Among the modalities with an increased share in Rwanda's post-exit aid portfolio, project-type interventions account for approximately 70% of all increases. In other words, the switch in modalities, which was triggered through the exit from budget support, led to a strong increase in importance of project-type intervention.

Figure 28 Donor commitments for Rwanda by aid type and year



Source: CRS (OECD, 2018a)

Figure 29 Rwanda: shares of aid modalities before and after the exit from GBS



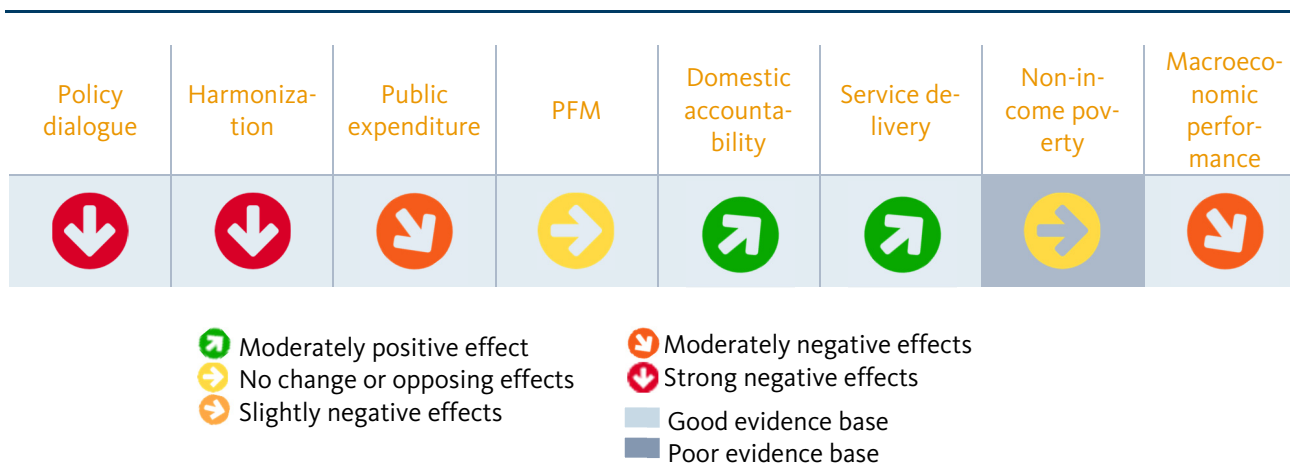
Source: CRS (OECD, 2018a)

Note: The graph displays the distribution of the aid modalities before and after the exit from GBS. It also shows which and to what extent the other aid modalities absorbed the decline in GBS. The calculation was conducted as follows: First, the distribution – or relevance – of the different aid modalities before (2012 and 2013) and after the exit (2014 and 2015) are calculated by dividing the disbursements of each aid modality by the total aid disbursements (two years before and after the exit). The difference between these two values gives the increase in relevance of each modality. In the final step the distribution among the modalities that experienced an increase in their relevance since the exit is calculated by dividing the increase in relevance by the sum of all increases.

4.2.2 Impact of the exit in Rwanda

In Rwanda, mostly positive effects of budget support contrast with mixed effects of the exit from budget support. While the effect was negative on public expenditure, policy dialogue and harmonization, the effect on domestic accountability and service delivery is positive and constant for non-income poverty and PFM (see Figure 30).

Figure 30 Effects of the exit from budget support in Rwanda



Source: own, icons provided by Dave Gandy from www.flaticon.com

Policy dialogue

In Rwanda, the high-level political dialogue was discarded after the exit from multi-donor GBS, and the dialogue shifted to a technical dialogue within sector working groups. The already existing SWG continued and provided a forum for sector-oriented discussion, although with high variance in performance, depending on the sector. However, the high-level dialogue forum, the Budget Support Harmonization Group, did not meet again after the exit and it was replaced by the Development Partners Cooperation Group (DPCG). This new dialogue forum does not address issues at national level – such as budget planning and management, questions of allocation and PFM – to the same extent as before, even though the DPCG has almost the same composition as the previous budget support dialogue forum. Donors perceive the quality of the meetings as lower, the agenda seems to be overloaded and the rather formal style of the meetings is not conducive to open policy dialogue. The donors perceived that there was a decline in the quality of the partner government's information, making decision making more difficult. In sum, the high-level political dialogue has not been replaced, which seems to be an intentional decision by the government of Rwanda (GoR) to gain stronger control over their politics and policies. This can be perceived either as a sign of increased government ownership or as unwillingness for dialogue: the partner government used the former narrative, donors the latter. Nevertheless, the government introduced a monitoring system in every sector aiming to measure sectoral reform progress.

Harmonization among donors and access to decision makers

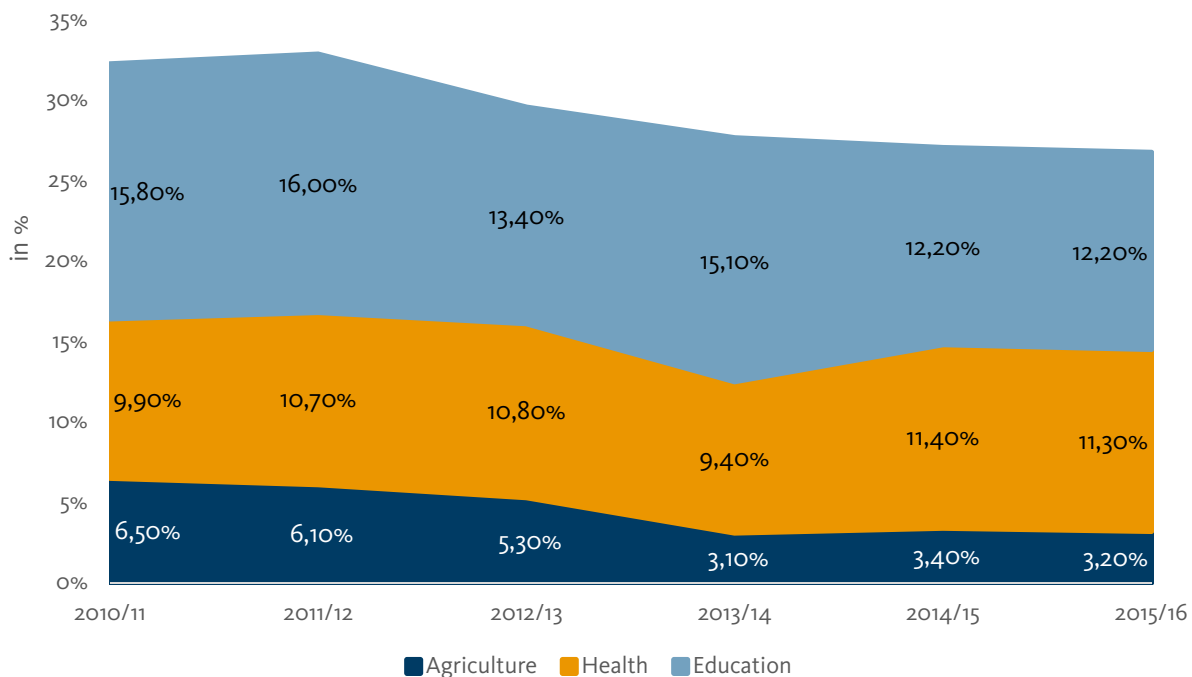
Since bilateral donors' exited from GBS, donor harmonization substantially reduced and aid became fragmented and dominated by off-budget projects. The fragmentation already began when donors took individual, uncoordinated decisions to either suspend or stop budget support programmes, differently interpreting the conditionality attached to budget support programmes. In terms of aid portfolios, a shift from budget support to predominantly off-budget projects took place, leading to a decrease in coordination. Coordination, if at all, is only happening at the sector level, for example in the area of PFM, or in individual programmes. Furthermore, the GoR decided to implement a 'division of labour' in donor support, dividing the donors among the sectors and letting a maximum of three donors operate in one sector. This government decision strengthened sector harmonization, but hampered overall harmonization among donors. The European Commission together with the Member States increased their efforts in joint programming to foster harmonization, but the Member States do not always align their programmes and agreement between all involved parties is a resource intensive process (EU, 2018).

Public expenditure

Rwanda's budget after the exit has lower budget allocation for agriculture and education, while the health budget remained more or less constant (see Figure 31). Agriculture, education and health received around 30% of the total budget over the period between 2010/11 and 2016/17. The focus of the GoR has

shifted towards fostering economic growth as evidenced by the Second Economic Development and Poverty Reduction Strategy (EDPRS II) for the period between 2013 and 2018. This strategy defines the acceleration of GDP growth and becoming a middle-income status country as core objectives. Poverty alleviation is also part of the strategy, but seems to be a lower priority than economic growth. Health and education are, for example, only part of a cross-cutting focus area and not a single thematic area like ‘Economic Transformation’ or ‘Productivity and Youth Employment’ (MINECOFIN, 2013). Since the exit, the level of public expenditure has been steadily declining.

Figure 31 Rwanda’s budget allocation (in % of total budget) – decreases in education and agriculture



Source: own, based on MINECOFIN data

Note: The two-year average of annual GDP values has been used to estimate the GDP for the respective fiscal years.

Public financial management

The Rwandan government considers good PFM as crucial for a solid budgeting process and public funds management, and as a means to increase the confidence of the donor community. The process of improving PFM started during the budget support era, but continued after the exit from multi-donor GBS thanks to government ownership. The first PFM Action Plan was introduced in 2006, followed by the first Public Expenditure and Financial Accountability (PEFA) assessment in 2007. These steps led to a comprehensive Five-year PFM Strategy 2008-2012. The PFM reform during budget support benefited largely from the TA/CD accompanying budget support, and the sound PFM and budget discipline have been enablers for good budget management. The momentum in the PFM reforms process has been sustained after the exit and continues to improve. After the exit, a second PFM Strategy 2013-2018 was introduced. This strategic plan is supported by a basket fund, which includes policy dialogue and was probably a key to the continued success. Examples of improvements after the exit are the alignment of the budget classification with the Chart of Accounts⁶⁰ or the establishment of IFMIS by the MINECOFIN. In general, it appears that the budget discipline is similar to the level during the multi-donor GBS period and the introduction of IFMIS is expected to improve and strengthen the system further. One repeated concern expressed by donors is the reliability of data made available by the government, which is surprising given that the IMF assists

⁶⁰ Based on the IMF Government Finance Statistics Manual 2001.

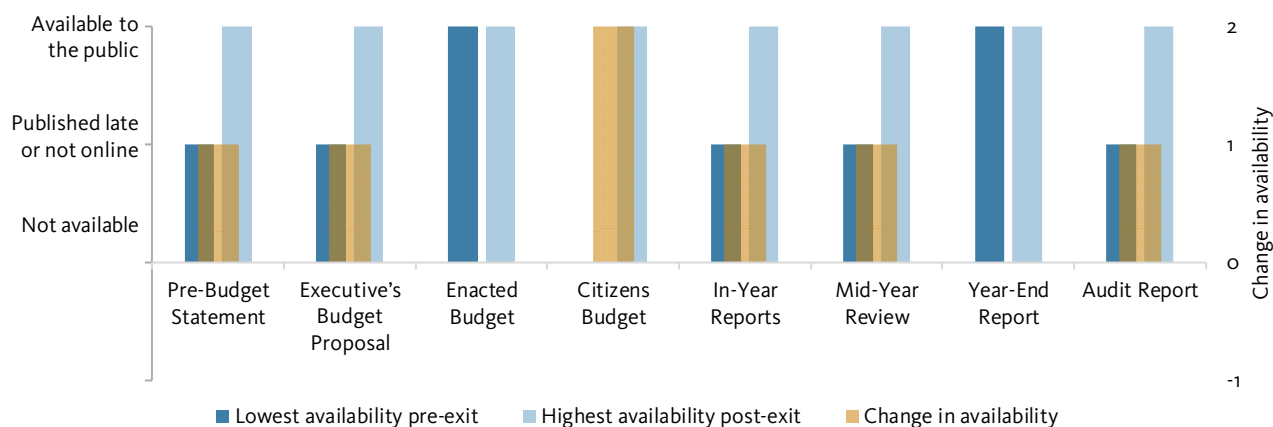
in the provision of the financial data. In general, the development post-exit is positive, especially compared to other areas or countries.

Domestic accountability and budget transparency

In Rwanda, the supply-side and demand-side of domestic accountability have not been negatively affected by the exit and show an improving tendency. Mechanisms to fight corruption are functioning well. Ombudsmen, police, the Auditor General, parliament and CSO are collaborating and committed to fight corruption. The open budget index increased from values around 10 prior to the exit to values above 20 after the exit (Mugisha, 2017). The accountability systems created during budget support are still in place. On the supply-side, the Auditor General is, for example, reporting to parliament, the governance board, ombudsman and the Institute of Certified Public Accountants. However, according to the open budget index, budget oversight by audit institutions has declined from ‘strong’ prior to the exit to ‘moderate’ or ‘weak’ after the exit (Mugisha, 2017).⁶¹ Reasons for the low values are the lack of independence (the Auditor General can be removed without legislative or judicial approval) and missing external oversight (audit processes are not reviewed).

On the demand-side, domestic accountability is slightly improving as well. After the exit, a law was passed in 2013 (GoR, 2013) that will support the demand-side’s access to information. Rwandan NGOs and the Office of the Ombudsman launched a web portal to make the process of requesting access to government documents easier. However, the implementation of both has been weak (Freedom House, 2017). Some CSOs are invited to the parliamentary debate on the budget proposal, but proposals from civil society are not translated into the budget planning. Overall, it seems that domestic accountability continues to improve slowly despite the exit.

Figure 32 High robustness for the availability of budget documents in Rwanda



Source: *Open Budget Survey 2017 (Mugisha, 2017)*

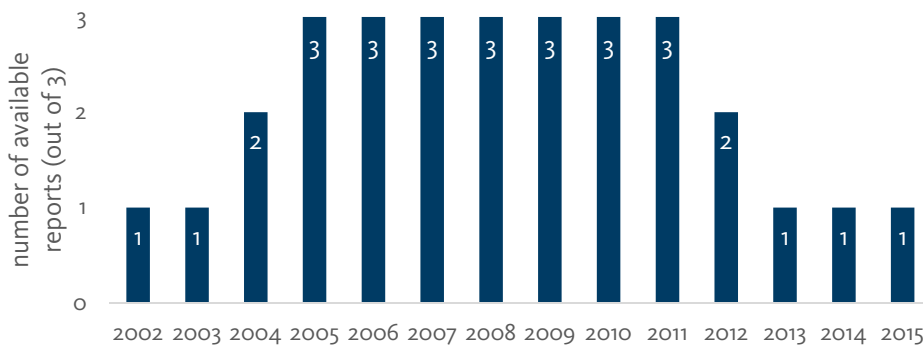
Note: The availability of the document shows a great variance and does not always follow a clear trend in the four countries, so it was decided to use a conservative approach, which ensures that negative ‘changes in availability’ reflect definitely deteriorations. This is why the lowest value before the exit is compared to the highest value after the exit. ‘Lowest availability pre-exit’ includes the minimum value for the 2010 and 2012 surveys and ‘Highest availability post-exit’ includes the maximum value from 2015 and 2017 surveys.

Transparency on budget design is formally maintained, both at central and local level, while the quality and overall budget transparency seems to be declining since the exit from GBS. Figure 32 shows that the publication of important budget documents did not decline after the exit according to the Open Budget Survey (Mugisha, 2017). The publication of in-year reports definitely improved, while the availability of other documents fluctuated prior and after the exit. State budget proposals are now widely available for

⁶¹ Because of changing survey questions, these results do not necessarily mean that the oversight function of the supreme audit institutions has declined.

consultation, including online and in three languages, according to the partner side. These findings contrast with the evaluation team's survey – depicted in Figure 33. According to the survey, the online availability of budget information has clearly declined since the exit from GBS. Only budget execution reports continued to be published online after the exit, while the Auditor General's reports and detailed statistics are no longer published. From the donor perspective, there is an issue with both the availability and quality of information. This is especially true for information on budget execution, which could be the result of a weaker dialogue on PFM issues. Since the provided budget data is often regarded as incorrect, the possibility for accurate budget analysis, budget forecasting and accountability is also compromised.

Figure 33 Total number of available budget documents from Rwanda's Ministry of Finance website

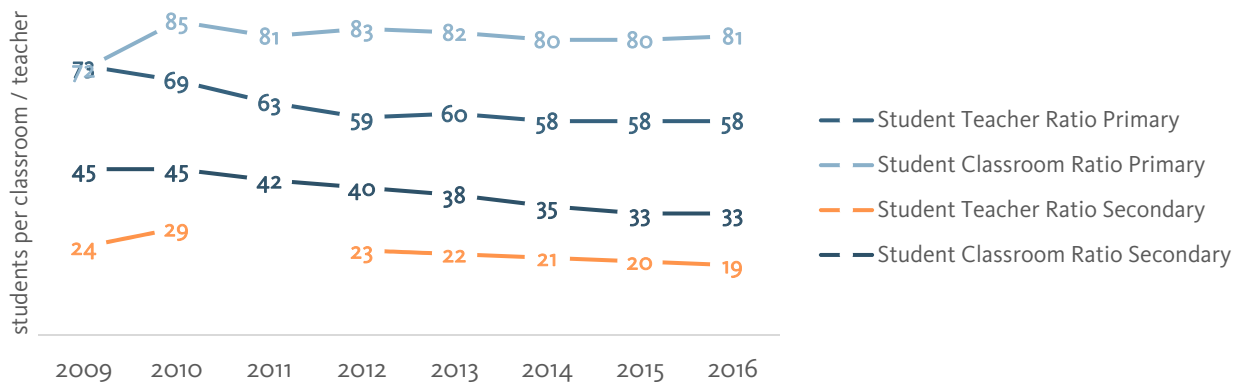


Source: own, based on accessible information from the MINECOFIN website (MINECOFIN, 2017)

Note: Reports assessed are 'financial reports' from the Auditor General, available 'budget data' and annual 'budget execution reports'. This analysis only includes series of reports that appeared more than three times.

Service delivery

Figure 34 Education service delivery in Rwanda

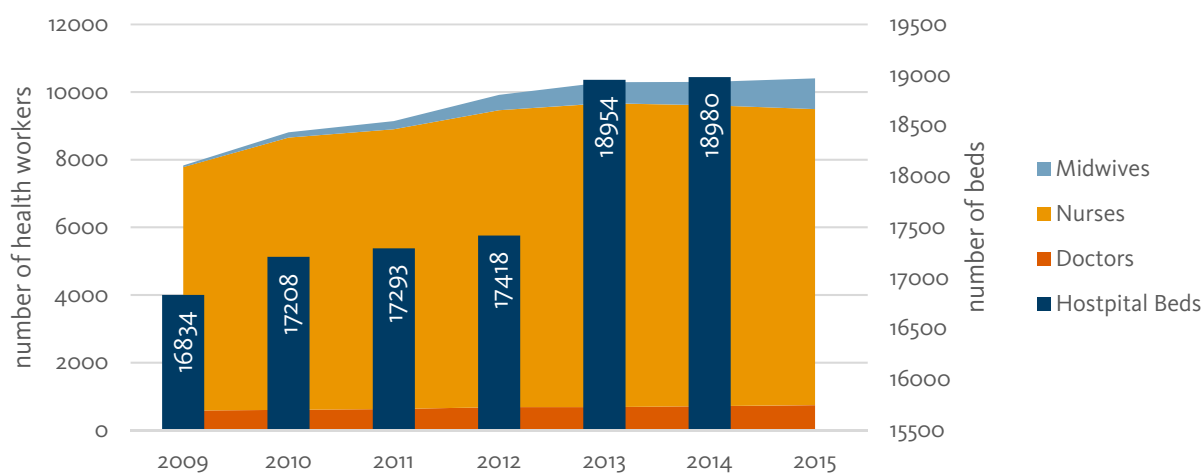


Source: 2016 Education Statistical Yearbook (MINEDUC, 2016) and Statistical Yearbook 2012 (NISR, 2012)

In Rwanda, the level of service delivery has improved slightly since the exit. For example, the student-teacher ratio for primary schools declined from 59 to 58 between 2012 and 2016; for secondary schools from 23 to 19 (see Figure 34). This indicates that service delivery has not been negatively affected by the exit, but it might have improved faster if GBS was still disbursed. A similar picture can be found in the health sector where the number of health workers (doctors, nurses and midwives) has slightly improved since the exit (see Figure 35). The number of hospital beds jumped from roughly 17,500 in 2012 and to 19,000 in 2013. This implies that preconditions for service delivery are improving, but beds alone will not improve health care

service delivery and come under infrastructure rather than service. The Rwanda governance scorecard, which was developed in 2011 by an independent government organization,⁶² confirms these findings as the quality of service delivery is improving according to this survey. However, in the most recent assessment, service delivery shows the lowest performance of all eight governance indicators⁶³ (see Table 11) (Rwanda Governance Board, 2016) and social sector service delivery is the sub-sector with the lowest score and only 62.2% of citizen express satisfaction with service delivery in social welfare sector. Since the scorecard is developed by an institution with government ties, it should be viewed with caution.

Figure 35 Health service delivery in Rwanda



Source: *Statistical Year Book 2012 and 2016 (NISR, 2012, 2016)*

Table 11 Service delivery satisfaction in Rwanda

	2011	2012	2014	2016
Quality of service delivery	66.21	70.44	72	72.93
Δ compared to last version		4.23	1.56	0.93

Source: *Governance Scorecard 2016 (Rwanda Governance Board, 2016)*

Explanations for the slightly improved service delivery output might be government programmes such as the service charter for citizens or the free basic education programme. The service charter for citizens was passed in 2012 detailing standards for service delivery rendered at various administrative levels (Government of Rwanda, 2013). It intends to provide information about available services to service seekers, and to oblige the service providers to actually provide the service. The introduction of the charter may be regarded as an improvement, which occurred after several donors had already suspended their budget support payments. Another programme that might have triggered positive results is the compulsory health insurance in 2008, which covers around 90% of the population. A country report indicates that the insurance has improved access to quality health care, but it relies on heavy subsidies. At the same time, the free basic education programme was prolonged from 9 to 12 years and might have had similar effects (or at least the student-teacher ratios were not weakened by lower student numbers) (Bertelsmann Stiftung, 2016a).

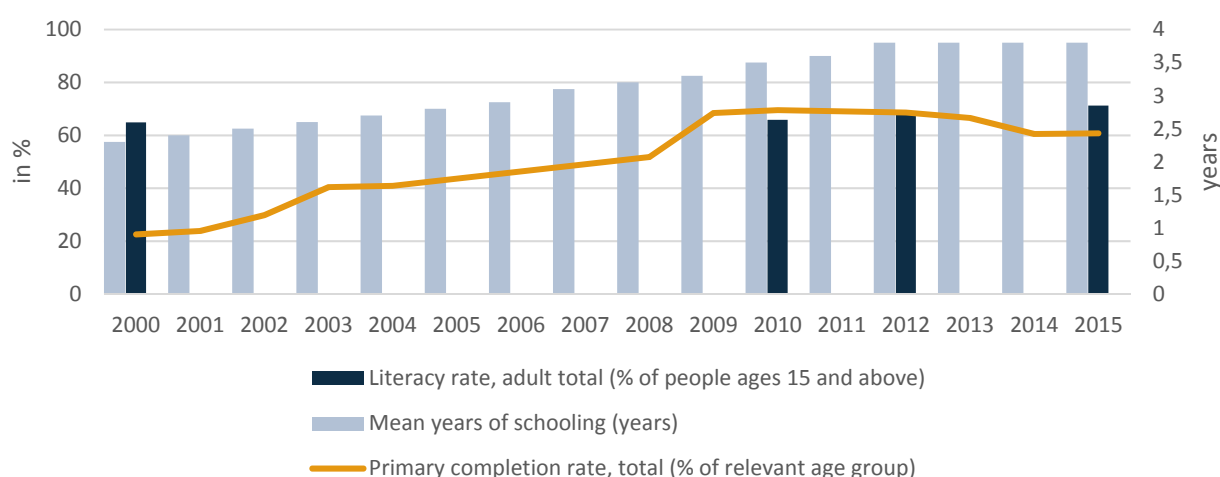
⁶² Rwanda Governance Board.

⁶³ Rule of Law; Political Rights and Civil Liberties; Participation and Inclusiveness; Safety and Security; Investing in Human and Social Development; Control of Corruption, Transparency and Accountability; Quality of Service Delivery; and Economic and Corporate Governance.

Non-income poverty

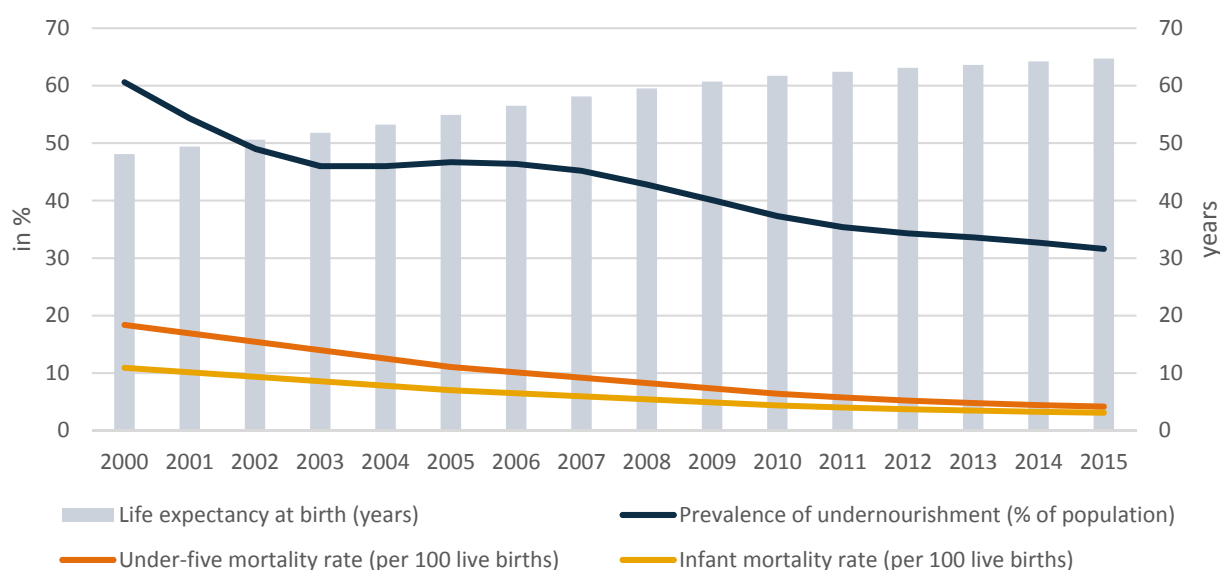
Non-income poverty in Rwanda seems to be stable in the health sector and slightly declining in the education sector. The analysed education indicators (see Figure 36) show that since the exit from multi-donor GBS there has been a slight deterioration in the primary completion rate (declined by eight percentage points between 2012 and 2015) and a stagnation in the mean years of schooling. Health indicators continued to improve (e.g. lower prevalence of undernourishment, infant mortality rate, under-five mortality rate) – a trend that started at the time of budget support programmes and continued through the exit from GBS (see Figure 37).

Figure 36 Education indicators for Rwanda



Source: World Development Indicators (World Bank, 2017c)

Figure 37 Health indicators for Rwanda



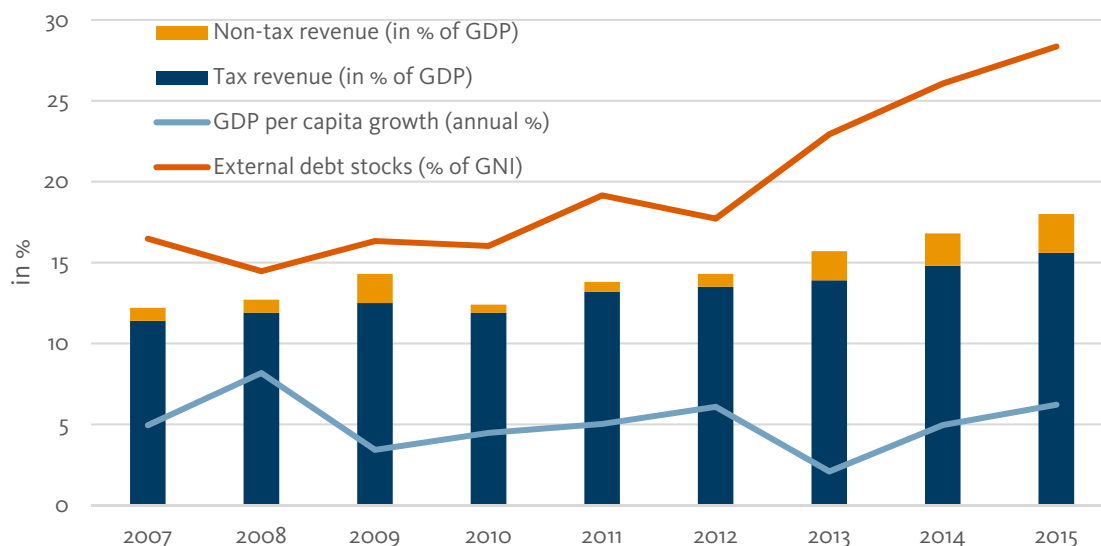
Source: World Development Indicators (World Bank, 2017c)

Macroeconomic performance

The repercussions of the exit on Rwanda's GDP growth have been limited; the shortfall in aid has been offset by extensive (external) debt accumulation. Between 2013 and 2016, the Rwandan economy

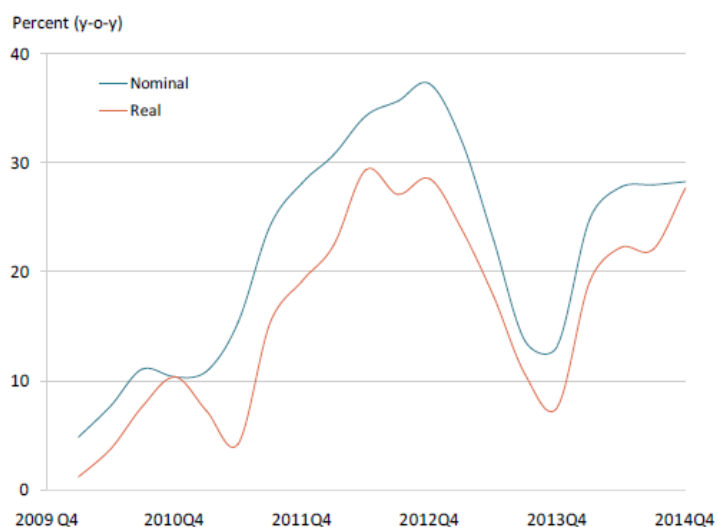
grew by an average of just 6.8%. This value is somewhat lower than for the preceding four-year period, where the average GDP growth rate was 7.6% (2008-2012) (see Figure 38). The data confirms that this decline is not a global or regional economic cycle but due unusually to low GDP growth in the year following the exit. GDP growth rates have been at least 3 percentage points above the sub-Saharan average between 2011 and 2016, except for 2013 when it was 0.1 percentage points below (see Figure 71). Right after the suspension of multi-donor GBS the Rwandan government focused on a number of short-term, temporary solutions to compensate for cash-flow problems resulting from the aid suspensions. These solutions included accumulating more arrears and debt. The increased issuance of debt also increased the financing costs for the Treasury bills and crowded out domestic borrowing (Cassimon *et al.*, 2016). As a result, credit growth rates in the economy (in real values) plummeted after the exit, but quickly recovered to previous levels (see Figure 39). Declining levels of bank lending to the private sector reduce future economic growth (Takáts and Upper, 2013). In the case of Rwanda, this decline was probably short enough to prevent more severe consequences. In 2013, Rwanda issued its first Eurobond on the international debt market, which was diverted to extend external borrowing. Rwanda’s public debt has been steadily increasing since 2013 (World Bank, 2017d), mostly as a result of higher external debt (see Figure 40).

Figure 38 Rwanda macroeconomic context - increasing revenues and robust GDP



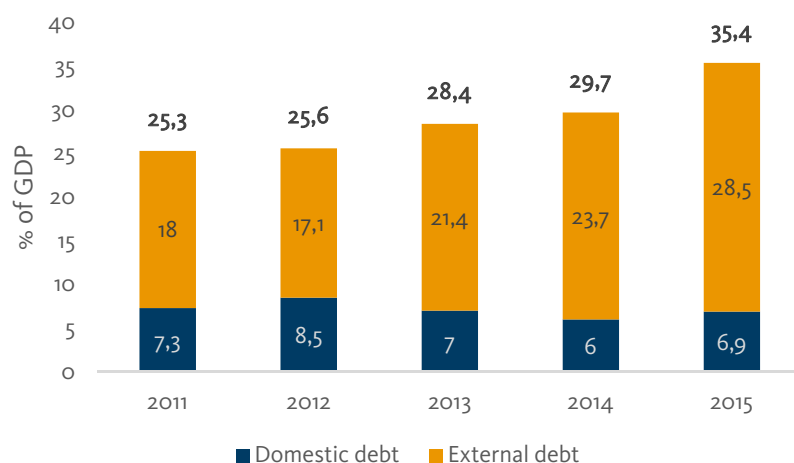
Source: Rwanda Economic Update (World Bank, 2016b) and World Development Indicators (World Bank, 2017c)

Figure 39 Rwanda real credit growth rate recovered after the shock of the exit



Source: Rwanda Economic Update 2015 (World Bank, 2015b)

Figure 40 Increase of external debt in Rwanda



Source: IMF Staff reports (IMF, 2012, 2013a, 2014b, 2015b, 2016b)

The GoR reacted to the substantial withdrawal of donor support with fiscal consolidation and thereby prevented more severe economic consequences. The relevance of the government budget for the economy has been very high in Rwanda (World Bank, 2015b). At the same time, the budget has been largely financed through budget support and other forms of aid (18% of central government expenditure as shown in Figure 11; World Bank, 2015b). To fill the financial gap created by the GBS exit, the government promoted fiscal consolidation and domestic resource mobilization. Rwanda reformed its tax policy and revenue administrative measures to boost domestic revenues, so that revenues increased by 4 percentage points of GDP from 2012 to 2015 (IMF, 2017d). As Figure 38 shows, revenue mobilization has been steadily improving throughout the exit and contributed to a stable macroeconomic situation. These adjustments, however, could not prevent an increase of the current account deficits. It deteriorated from 7.4% of GDP in 2013 to 11.8% of GDP in 2014, to its lowest value in the past 20 years. More than half of this deterioration can be attributed to the decline in public current transfer which was mainly budget support (World Bank, 2015b). Yet, the exchange rate remained stable throughout the period and started to climb to its long-term average in the 2000s and 2010s (World Bank, 2015b).

4.3 Uganda

4.3.1 The exit from budget support in Uganda

In 2012, the involvement of the Prime Minister's Office in a massive corruption scandal and plans of the government to implement a law criminalizing homosexuality led donors to first suspend and later exit budget support. It was discovered that USD 15 million had been diverted from a recovery programme for Northern Uganda to the Office of the Prime Minister. Donors responded resolutely because – although not the worst corruption scandal since 1998 – it involved the direct misuse of external funds (see Table 14; Williamson *et al.*, 2016). By 2010, donors had responded to the pervasive high level of corruption. Germany for example cut its budget support payments by 10% on these grounds. The total volume of freezes in aid by donors is estimated to be worth USD 372 million, equivalent to around 5% of the government budget (Bogetic *et al.*, 2015). This case shows that donors have an implicit limit of tolerance regarding corruption, but not an explicit exit strategy.

Table 12 Estimated amount of suspended aid following the 2013 corruption scandal

Aid/country	Suspended BS commitments 2012/13 in million USD	Suspended BS of commitments 2012/13	Suspended 'other aid' in million USD	Total suspended in million USD
Austria	2.67	50.09%	-	2.67
Belgium	12	100.00%	-	12
Denmark	9.4	63.69%	17.87	27.27
EU	33.21	100.00%	-	33.21
Germany	4	50.00%	-	4
Ireland	11.34	100.00%	11.16	22.5
Norway	-	-	44.99	44.99
Sweden	2.31	33.29%	2.74	5.06
UK	13.24	36.73%	7.5	20.74
World Bank	200	100.00%	-	200
TOTAL	2.67	87.95%	84.27	372.44

Source: *Analysis of Impact of Aid Suspension in Uganda (JBSF, 2013)*

Prior to 2012, Uganda had undergone periods of budget support suspensions due to poor performance in terms of democratization and macroeconomics (see Figure 41). In 2002, most donors – including the two largest: the World Bank and the UK – suspended GBS payments after the government of Uganda (GoU) had announced to cut the budget of several ministries to ramp up the defence allocation. Between 2005 and 2007, donor discontent with the national budget triggered smaller budget support suspensions or cuts. In 2006, prior to the general elections, President Museveni modified the constitution in order to run for a third term and imprisoned the leading opposition candidate. In response to these actions, many donors suspended their budget support disbursements, although democratization was not part of the conditionality. To address this and other shortcomings, the Joint Budget Support Framework (JBSF) was introduced in 2008 (Williamson *et al.*, 2016).

Figure 41 Timeline of budget support in Uganda

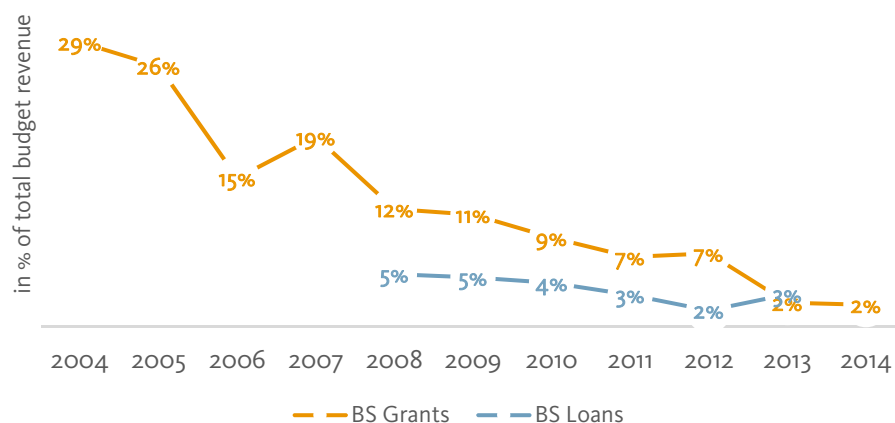


Source: own

Note: For a summary of country-related information and findings, see also the country-sheet Uganda on DEval's website at www.deval.org.

GBS funds constituted up to 29% of the total government revenue between 2004 and 2014 (MoFPED, 2009, 2010, 2011, 2012, 2013, 2014a, 2015), but declined over time (see Figure 42 and Figure 12). The relevance of budget support funds for the budget was modest overall, but might have been higher if it were not for the numerous suspensions and cutbacks. For Uganda, SBS was financially of much greater importance than GBS. Between 2002 and 2014, SBS totalled roughly USD 1.6 billion, while GBS amounted only to USD 0.6 billion. The largest donors were the EC, the World Bank and the UK. Germany provided GBS for six years, amounting to USD 45 million or 7% of the total GBS payments (for details see Annex 7.13).

Figure 42 Declining share of BS in the Ugandan central government's budget



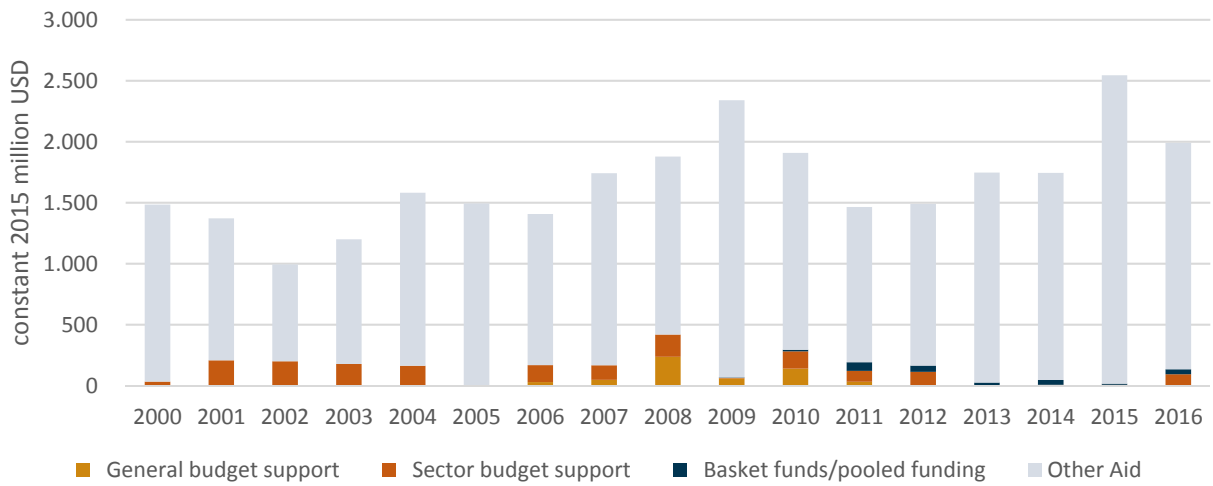
Source: Background to the Budget, GoU 2009-2014 (MoFPED, 2009, 2010, 2011, 2012, 2013, 2014a, 2015)

Changes in the aid portfolio

Since the multi-donor exit, the aid budget has been restructured from GBS towards project support and pooled funding. In 2012, the aid budget was significantly reduced due to the exit from GBS and because aid was not immediately reprogrammed. Once reprogrammed, the aid focus shifted mostly towards project-type interventions and, to some extent, results-based financing and basket funding. Based on our calculations, 96% of the GBS funds were reprogrammed – directly or indirectly – towards project-type interventions (see Figure 44). This means that project-type interventions account for 96% of the modalities that gained in relevance in the aid portfolio; contributions to programmes and funds absorb a mere 4% of the

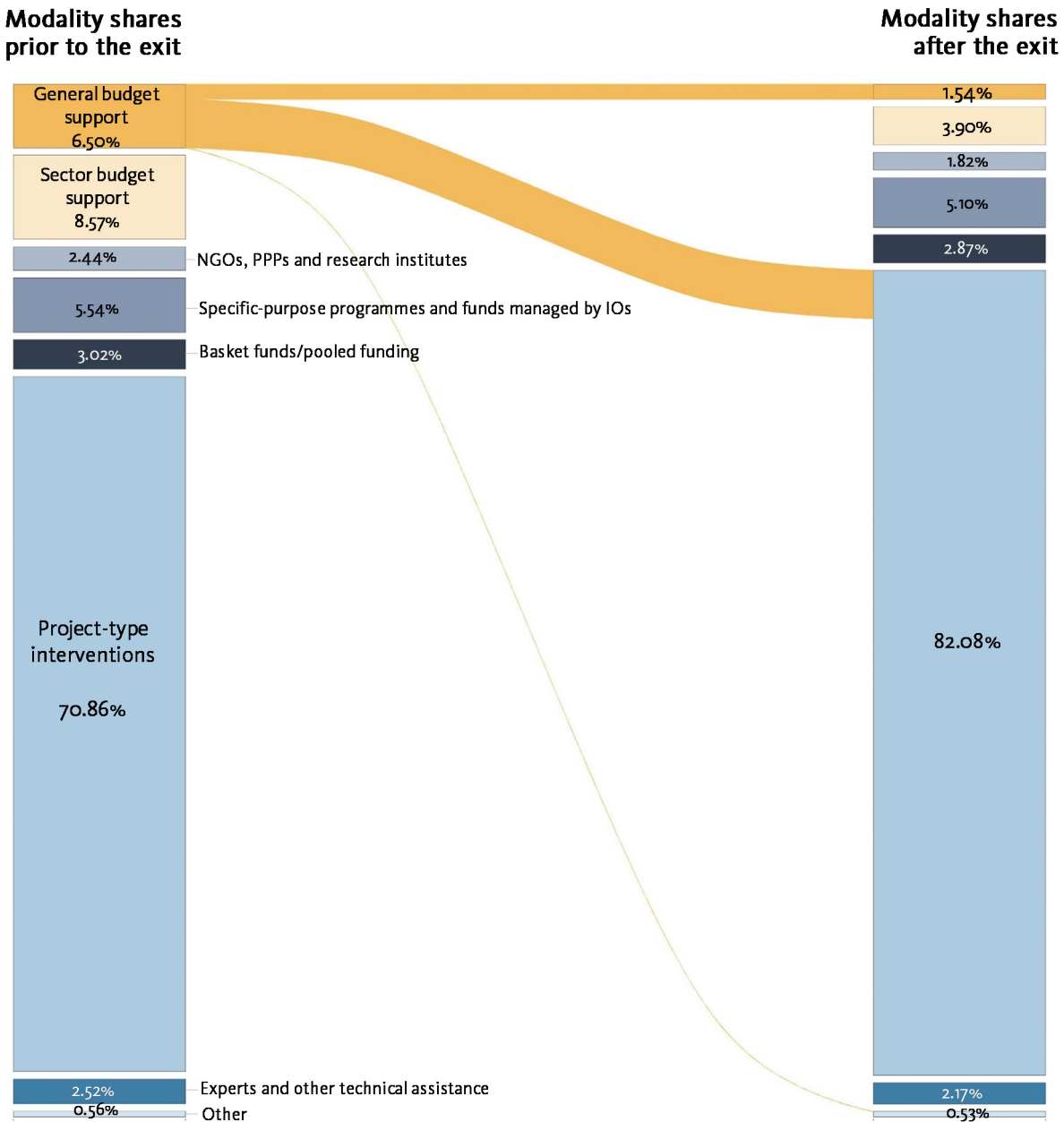
GBS funds. Regardless of the absence of GBS, the level of total aid inflows quickly reached levels similar to the budget support era and has been higher than ever before in 2015 (see Figure 43).

Figure 43 Donor commitment for Uganda by aid type and year



Source: CRS (OECD, 2018a)

Figure 44 Uganda: shares of aid modalities before and after the exit from GBS



Source: CRS (OECD, 2018a)

Note: The graph displays the distribution of the aid modalities before and after the exit from GBS. It also shows which and to what extent the other aid modalities absorbed the decline in GBS. The calculation was conducted as follows: First, the distribution – or relevance – of the different aid modalities before (2012 and 2013) and after the exit (2014 and 2015) are calculated by dividing the disbursements of each aid modality by the total aid disbursements (two years before and after the exit). The difference between these two values gives the increase in relevance of each modality. In the final step the distribution among the modalities that experienced an increase in their relevance since the exit is calculated by dividing the increase in relevance by the sum of all increases.

SBS and GBS virtually disappeared in Uganda and a return to the same extent as before seems highly unlikely. Some SBS activities were continued after the suspension was lifted, but are currently being phased out⁶⁴ and represent only a minuscule fraction of the aid portfolio. The EC is considering to reinstall SBS. The Ugandan government representatives tend to prefer budget support or other on-budget financing to off-

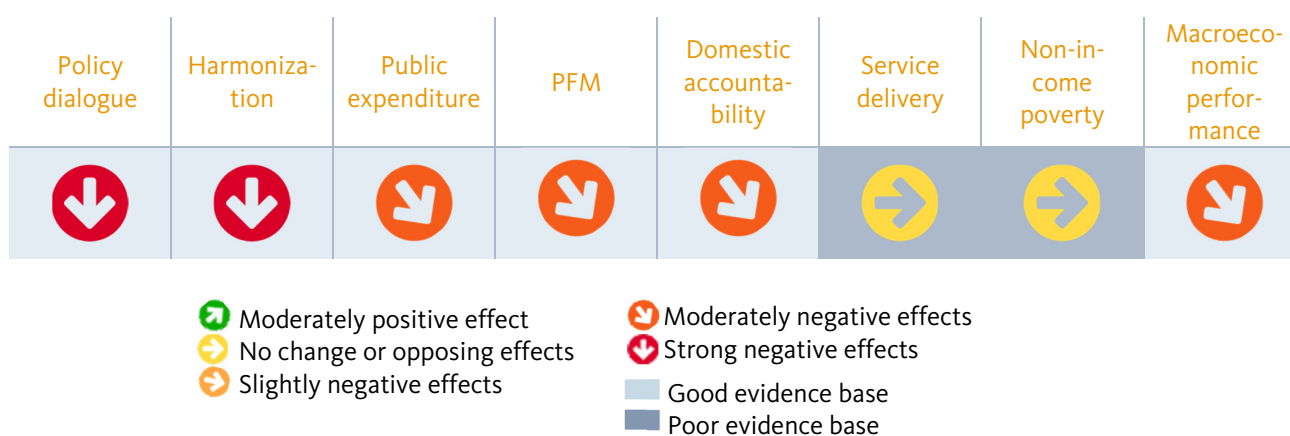
⁶⁴ It is unclear in which year they will actually end.

budget financing. However, the allocation focus of the government has shifted from social sectors to infrastructure, agriculture and energy, which makes a return to GBS less likely.

4.3.2 Impact of the exit in Uganda

For Uganda, generally positive effects of budget support are contrasted with negative effects of the exit from budget support. Only for service delivery and non-income poverty, the data does not show a negative tendency until now (see Figure 45).

Figure 45 Effects of the exit from budget support in Uganda



Source: own, icons provided by Dave Gandy from www.flaticon.com

Policy dialogue

Since the exit in Uganda, there is less government involvement in donors' programmes and less donor involvement in government decisions due to a collapse in dialogue structures, especially at the high level. Although other dialogue forums still exist, including the EU Article 8 dialogue or the National Partnership forum, they are either less inclusive or provide lower quality dialogue than the former budget support high-level political meetings, and they do not cover macroeconomic and budget-related issues. The Local Development Partners Group also continued after the exit and tried to take over the function of the high-level political dialogue of the budget support era. However, this forum is said to have fallen behind its predecessors in terms of quality of discussions. The GoU seems to be pushing a sector-dialogue approach with 16 SWGs still in place. However, the effectiveness of the SWGs strongly depends on the push of donors. While dialogue in those sectors work, there is a very fragmented, overlapping and incoherent government dialogue in other sectors. In addition, the focus on milestones and targets that existed during budget support disbursements has become less important in the SWG. One exception is the dialogue on PFM-related subjects, which takes place within the public expenditure management committee and offers quality dialogue on the topic.

Harmonization among donors and access to decision makers

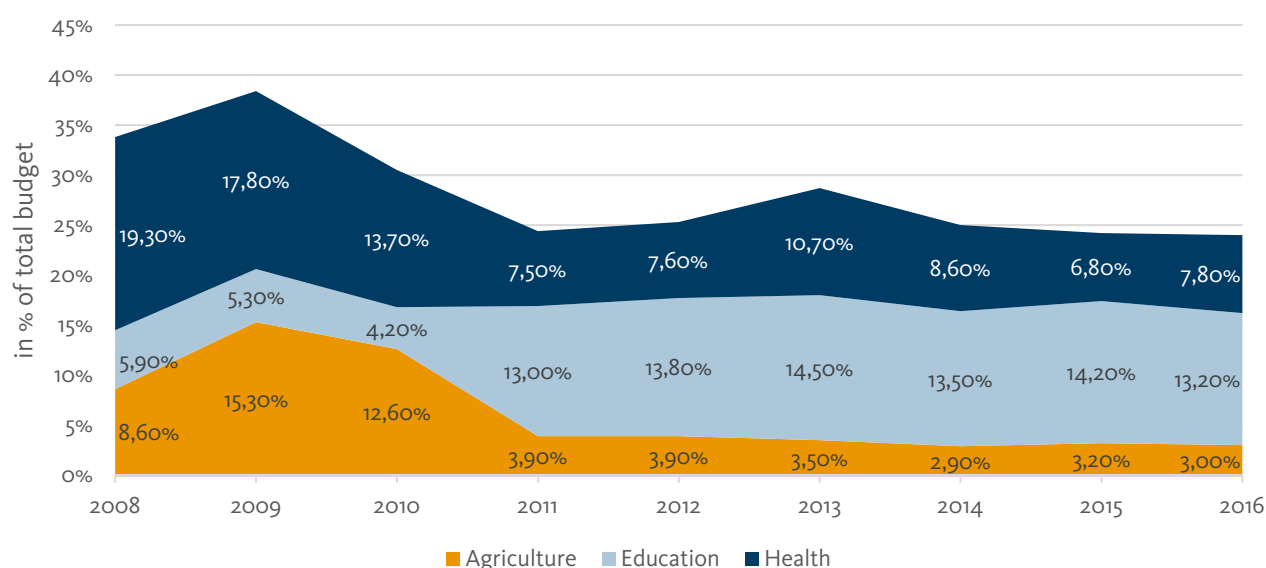
Ending GBS weakened the harmonization among donors, even though coordination forums for PFM and the Local Development Partner Group still exist. Since the exit from budget support and the shift towards nearly exclusively project-type interventions in the aid portfolio, there is a lack of harmonization in the sectors – this is the most severe impact of ending budget support. A notable exception is the PFM Basket Fund and the complementary Local Development Partners Group, which stand out as still functional coordination forums, providing some harmonization at the sectoral level.

Public expenditure

The government shifted its priorities towards productive sectors, hence the share of budget allocations into health and agriculture decreased. The goal of the government is to achieve the status of a

middle-income country and raise the GDP per capita level. Consequently, the five-year average for the share of the allocations for agriculture and health in the total budget decreased by roughly 5 percentage points after the exit (2013-2017) compared to the average five years prior to the exit (2008-2012). The budget for the education sector, on the other hand, increased by roughly 5 percentage points over the same periods. It should be noted, however, that this increase is driven by an extremely low education budget from 2008 to 2010, where it represented only 5% of the total budget compared to 14% just before the exit. Figure 46 displays these changes and shows that public expenditure in percentage of GDP reached similar levels in 2017 as in 2012, the year of the exit. Bogetic *et al.* (2015) note that budget support contributed to maintaining a constant level of expenditure in the education, health and water sectors. With the absence of this source of financing, a lower budget was allocated to the sectors. The budget allocation for all three sectors combined, measured as percentage of GDP, declined slightly from 5.56% in 2011 to about 4.5% in the years after the exit, which underscores the declining relevance of social sector support.

Figure 46 Uganda's budget allocation (in % of total budget) – decreases in health and agriculture



Source: own, based on MoFPED data

Public financial management

Uganda has been a strong performer in PFM matters over much of the last decade and multi-donor budget support has provided significant support in this area (Bogetic *et al.*, 2015). Achievements were made in the areas of budget credibility, PFM, procurement and audits, upstream governance and accountability, and strengthening local government systems, although less so in public sector management (World Bank, 2015c).

Effects on PFM after the exit from GBS are mixed but in aggregate slightly negative, as some PFM reforms are continuing after the exit, while other areas suffer from the absence of a performance assessment. After the exit, a high-level action matrix (HLAM) was developed by the Ministry of Finance, Planning and Economic Development (MoFPED) to address donors' concerns and prepare the ground for a possible relaunch of budget support. Part of this HLAM was to target weaknesses in the PFM system by passing the PFM Act in 2015. Other improvements in PFM relate to the work-in-progress that stretched from budget support and the agreed actions in the HLAM. In some areas, the performance deteriorated, like budget controls and credibility, due the absence of the assessment framework after the exit from GBS.

The continued positive developments in PFM are not only the repercussions of progress during budget support; they are also the product of larger investments by the government. Before the exit,

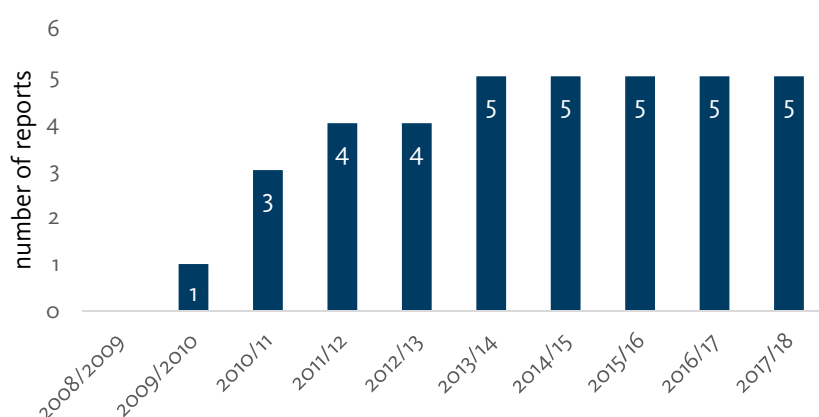
UGX 4.5 billion (Ugandan Shillings) were invested in PFM reform, while after the exit from GBS the government funding increased to UGX 26.5 billion. The Secretary to the Treasury announced that the third Financial Management and Accountability Programme (FINMAP III) would continue even without donor support, confirming the government's determination to continue improving PFM.

Domestic accountability and budget transparency

The exit from multi-donor GBS led to a reduction in demand-side domestic accountability, due to the absence of external control and performance assessment. Once GBS was suspended, the donor community introduced a HLAM, which defined the conditionality that the GoU would need to fulfil in order to lift the suspension of GBS. Although to a large extent the GoU managed to fulfil the HLAM conditions, donors did not relaunch GBS disbursements. The government lost interest and saw little incentive to adhere further to principles of accountability; in addition, the donors neglected the focus on the monitoring of results. The misappropriation of funds in the Office of the Prime Minister – that led to the exit from budget support – eventually triggered reforms in domestic accountability. In response, the GoU for example started to publish more budget statements and introduced a more inclusive debate on budget proposals.

Enhanced transparency did not translate directly into enhanced accountability, because traction and means to hold the government to account were limited for the demand-side. One reason for the declining accountability might be the high turnover of members of parliament (MPs) following elections, which weakens the demand-side. Another indication for declining demand-side accountability is that the inclusion of CSOs in the budget process has diminished since the exit. While a selection of CSOs was invited and were actively involved in policy dialogue on a wide set of budget issues (including budget execution) during the budget support period, the CSO involvement is now formally limited to a role in budget planning. Although CSOs are formally involved in both pre- and post-budget dialogue, it seems as if their proposed changes to the planned budget are not considered. It remains therefore uncertain if the government is committed to include demands of civil society in budget planning, or if it merely uses civil society's involvement as a legitimization for the proposed budget allocations. According to the Open Budget Survey, the budget oversight by legislature is moderate and has been declining since the exit (Namagga, 2017). Oversight is especially weak during the implementation stage of the budget cycle (Namagga, 2017).

Figure 47 Publication of online reports on the Ugandan MoF website has remained constant



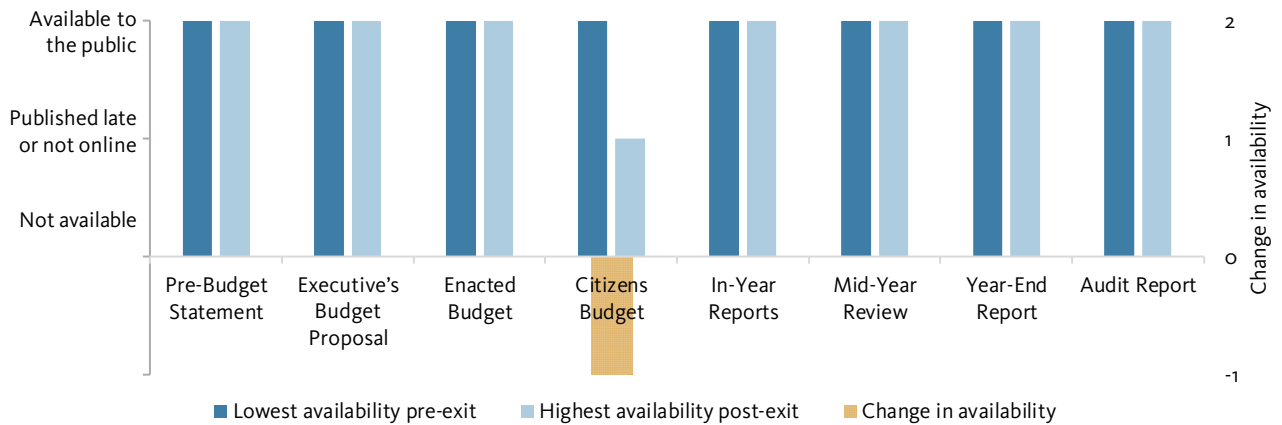
Source: own, based on accessible information from the MINECOFIN website (MINECOFIN, 2017)

Note: Reports assessed are 'Approved Budget Estimates', 'Background to the Budget', 'Draft Budget Estimates', 'National Budget Framework Paper' and 'Public Investment Plan'. This analysis only includes series of reports that appeared more than three times.

The supply-side of domestic accountability and the transparency in budget planning formally improved. Budget transparency is slightly improving if measured by the amount of budget statements published as shown by Figure 47. This finding is confirmed by the Open Budget Survey, which shows that the publication of documents has been constant with one exception: a citizen's budget is no longer published

which diminishes the accessibility of the budget for citizens (see Figure 48). The oversight function of the supreme audit institution in Uganda seems to be strong and is only limited by a lack of adequate resources (Namagga, 2017).

Figure 48 Public availability of budget documents in Uganda

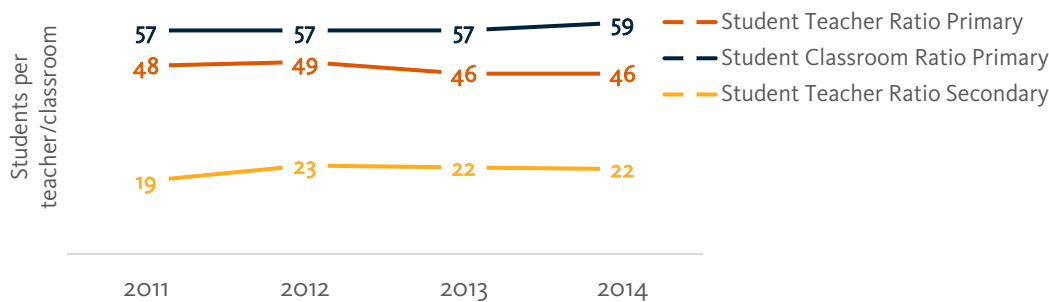


Source: Open Budget Survey 2017 (Namagga, 2017)

Note: The availability of the document shows a great variance and does not always follow a clear trend in the four countries so it was decided to use a conservative approach, which ensures that negative 'changes in availability' reflect definitely deteriorations. This is why the lowest value before the exit is compared to the highest value after the exit. 'Lowest availability pre-exit' includes the minimum value for the 2010 and 2012 surveys and 'Highest availability post-exit' includes the maximum value from 2015 and 2017 surveys.

Service delivery

Figure 49 Education service delivery in Uganda

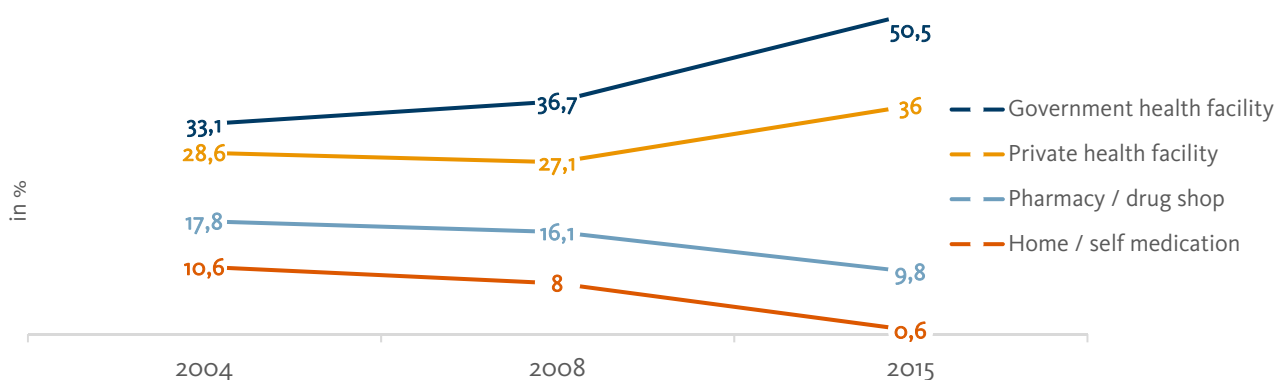


Source: 2015 Statistical Abstract (UBOS, 2015)

The decline in public expenditure to potentially poverty-relevant sectors had no negative effect on service delivery, which remained more or less constant. The data presented in Figure 49 and Figure 50 show that education and health indicators for service delivery remained largely constant. Only the pupil per classroom ratio in primary schools worsened slightly from 57 students per classroom before the exit to 59 students in 2014. The student-teacher ratio for primary and secondary schools improved after the exit. For health services, Figure 50 shows that the Ugandan population tends increasingly to go to professional health facilities and rely less on self-medication or pharmacies. This finding suggests that service delivery has improved between 2008 and 2015. Yet, the improvement could have occurred entirely during the multi-donor budget support era or be the result of a shift in preferences towards a more professional first source of treatment within the population. The majority of interview partners stated that the quality of social sector service delivery has been compromised by the budget reductions for these sectors. Corruption is regarded

as a widespread phenomenon, which negatively affects service delivery. These statements are hard to corroborate so that our overall assessment is that service delivery has so far not been negatively affected.

Figure 50 Uganda's health service delivery measured by first source of treatment in case of sickness

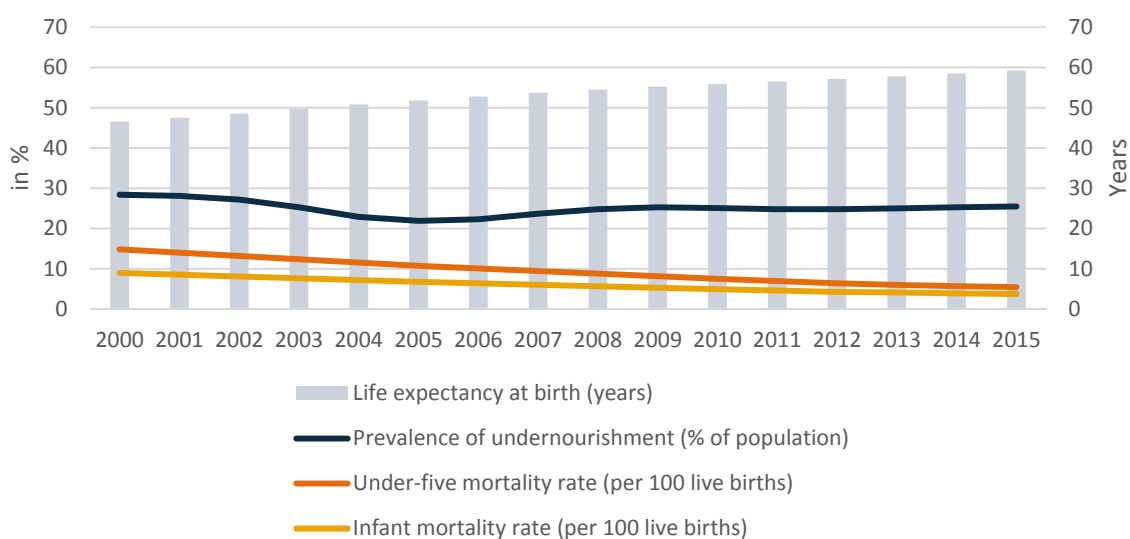


Source: Annual Health Sector Performance Report 2016/17 (MOH, 2017)

Non-income poverty

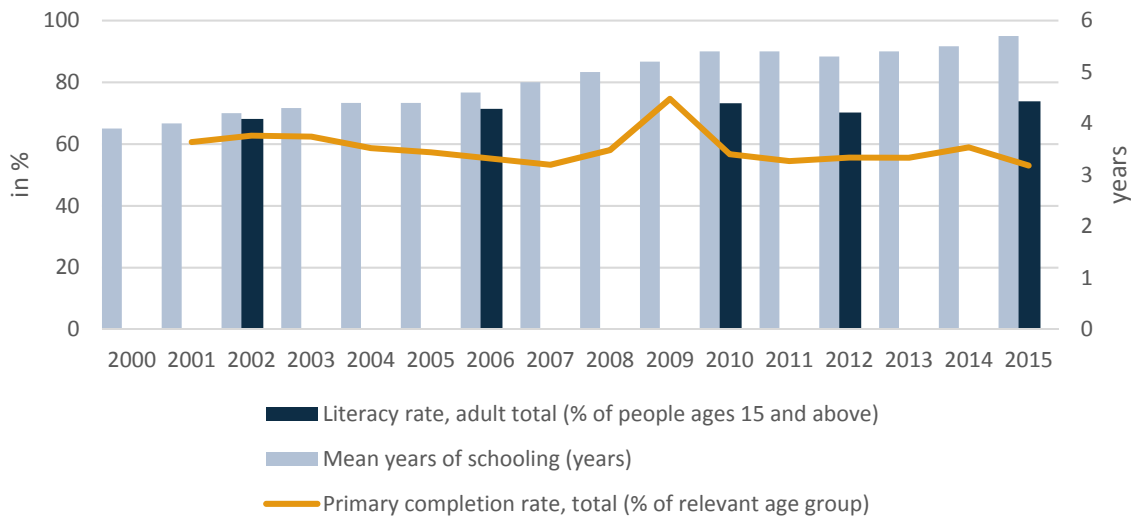
The budget reductions in education and health after the exit did not affect service delivery and so far do not seem to have had an effect on non-income poverty. The data presented in Figure 51 shows a constant increase in life expectancy and decrease in infant and under-five mortality rates during budget support and after the exit. A similar trend unfolds related to education indicators (see Figure 52): the mean years of schooling increased constantly over the last 15 years, while the literacy and primary completion rates remained constant at unsatisfactory levels. For all three indicators a break in the trend is not visible. Overall, this leaves us to assume that the implications of the exit from GBS did not have repercussions in health and education indicators, at least so far.

Figure 51 Health indicators Uganda



Source: World Development Indicators (World Bank, 2017c)

Figure 52 Education indicators Uganda

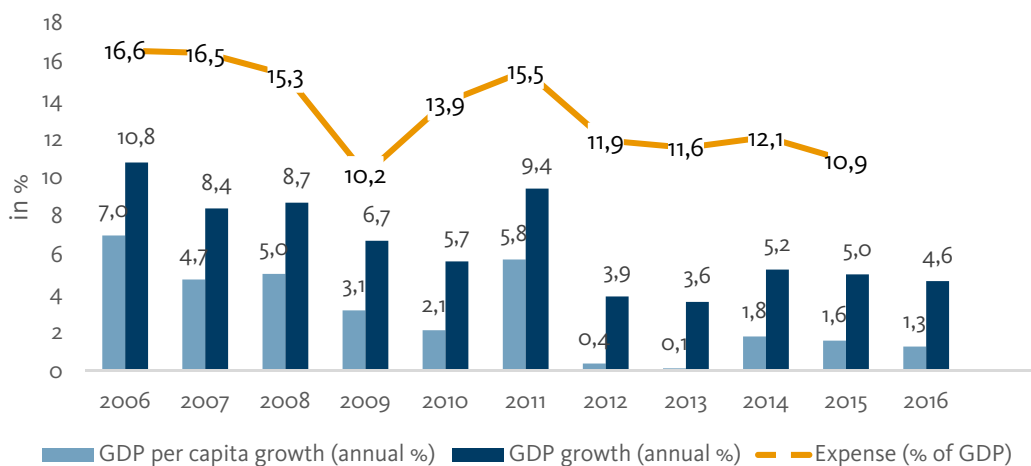


Source: World Development Indicators (World Bank, 2017c)

Macroeconomic performance

Uganda quickly reached macroeconomic stability after the end of multi-donor budget support due to fiscal adjustments. The effects of the aid suspension on macroeconomic stability were not as severe as in the case of Malawi, but the growth rate recorded in FY 2012/13 was the lowest in over 20 years. It stood at 3.3%, 1.7 percentage points below the sub-Saharan average (in 2011 it was 5.0 percentage points above the regional average; see Figure 71). According to the World Bank this decline was partly due to ‘the slow take-off of investment projects and the freeze to budget support by development partners’ (World Bank, 2015d, p. 6). As shown in Figure 53, GDP per capita grew at a lower rate after the exit from GBS than during the GBS period, while government expenditure decreased, which is a clear sign that fiscal adjustments were undertaken in response to the exit from GBS. The IMF (2013b) estimated that the exit from GBS would reduce the fiscal space and require adjustments to the budget in the amount of 1.5% of GDP. The data shows that such an adjustment took place at least partly – reduction of around 0.75% of GDP according to the IMF (2013b). Government expenditure declined from 15% of GDP in 2011 to 11% of GDP in 2015 (IMF, 2013b).

Figure 53 Uganda macroeconomic context - GDP growth and government expenses



Source: World Development Indicators (World Bank, 2017c)

The GoU reacted to the financial shock of the exit from GBS by increasing the level of debt, especially domestic debt. Since the exit from GBS in Uganda in 2012, the level of public debt increased from 24% to 30% in 2014 and stands at 40% in 2017 (IMF, 2017d). This increase in the share and level of domestic debt creates the risk of crowding out private borrowing by pushing up the interest rates and thereby of lower growth rates (World Bank, 2015d).

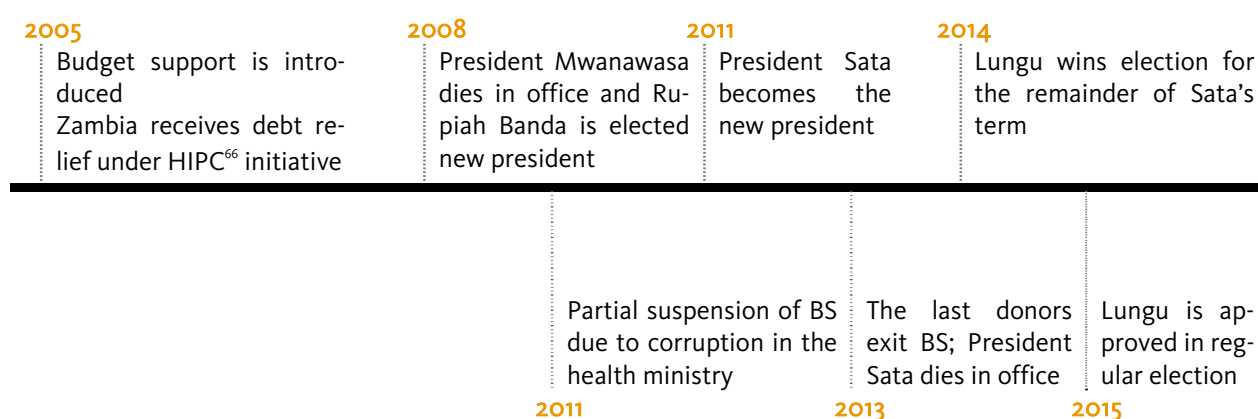
4.4 Zambia

4.4.1 The exit from budget support in Zambia

The exit from multi-donor GBS in Zambia was not the result of one major scandal, but of a gradual process of declining importance of budget support for Zambia. Budget support steadily declined from contributing 7% of the budget in 2010, to 3.2% in 2011, reducing further to 0.9% by 2013 and 0.5% by 2014. The reason for this decline was a combination of three main factors: (1) performance indicators were not met; (2) Zambia had developed into a LMIC in 2011; and (3) the general donor appetite for budget support per se was decreasing because of the global financial crisis, increased accountability requests in the home societies and reports about misappropriation of funds related to the instrument. Due to this evolution, it is hard to say when budget support ended exactly. The relevance of budget support was already only marginal between 2012 and 2014.

The multi-donor budget support era in Zambia is characterized by very high total GBS payments (only five countries worldwide received more GBS during that time⁶⁵) and a relative scarcity of major scandals. The only major scandal during the budget support era in Zambia was for corruption in the Ministry of Health, which led to the suspension of budget support by some donors in 2009/10, including Germany (see Figure 54). Budget support in Zambia was predominantly provided as GBS, and the disbursements amounted to around USD 1 billion between 2000 and 2014, while SBS amounted to USD 300 million. Germany's allocation (USD 66.9 million) was responsible for 6.4% of all GBS disbursements in that time (for details see Annex 7.13). The dependency on GBS for the government was already small prior to the exit, as in 2011 the share of GBS in the central government expenditure was only 4% (see Figure 12).

Figure 54 Timeline of budget support in Zambia



Source: own

Note: For a summary of country-related information and findings, see also the country-sheet Zambia on DEval's website at www.deval.org.

High copper prices, increasing foreign investments and access to the global capital market allowed the country to become independent from budget support and decreased the incentives to meet the

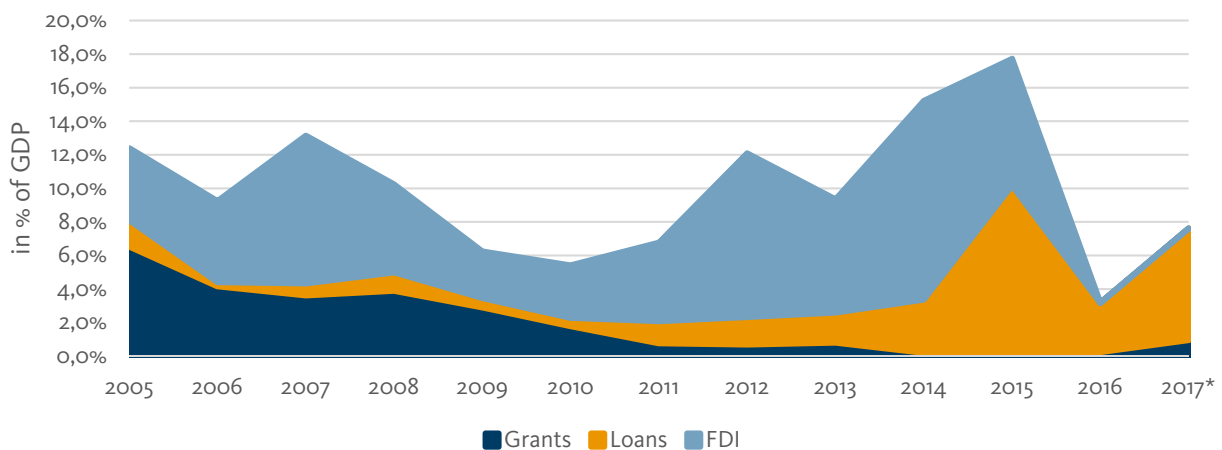
⁶⁵ Only Ghana (USD 2.7 billion), Jordan (USD 2.8 billion), Mozambique (USD 3.0 billion), Tanzania (USD 3.8 billion), and Egypt (USD 5.4 billion) received more GBS between 2000 and 2014 (OECD, 2018a).

⁶⁶ HIPC: heavily indebted poor country.

conditionality. As the world market price for copper reached record highs between 2006 and 2008, and again between 2010 and 2013, Zambia's revenues as the 8th largest copper producer in the world (USGS, 2017) increased overnight. In addition to that, the government issued its first sovereign bond (Eurobond) on international markets in 2012, and thereby gained access to USD 750 million of finance. This new financial independency greatly reduced the incentive for the government of Zambia to meet performance indicators. Zambia had already been struggling to meet the performance indicators prior to 2012 and donors left or suspended budget support out of dissatisfaction with this development. Conversely, the Zambian government perceived the conditionality as too ambitious and claimed that performance indicators became harder to achieve once they went off-track, because target values not achieved in a previous year would be added to next year's target values.

Zambia's status as a LMIC made it harder for donors to justify budget support against their constituents and made donor funding more expensive for the government of Zambia. Figure 55 shows how the transition from a low-income country to a LMIC in 2011 coincides with a shift in donor funding from grants to loans. Since loans only have a 'grant element', they are less attractive than grants from the borrower perspective. At the same time, foreign direct investment (FDI) increased and played a much more important role than donor funding between 2010 and 2015.

Figure 55 Declining donor support is substituted by FDI and grants are replaced by loans



Source: own, based on MoF data, and UNCTADstat (UNCTAD, 2017)

Changes in the aid portfolio

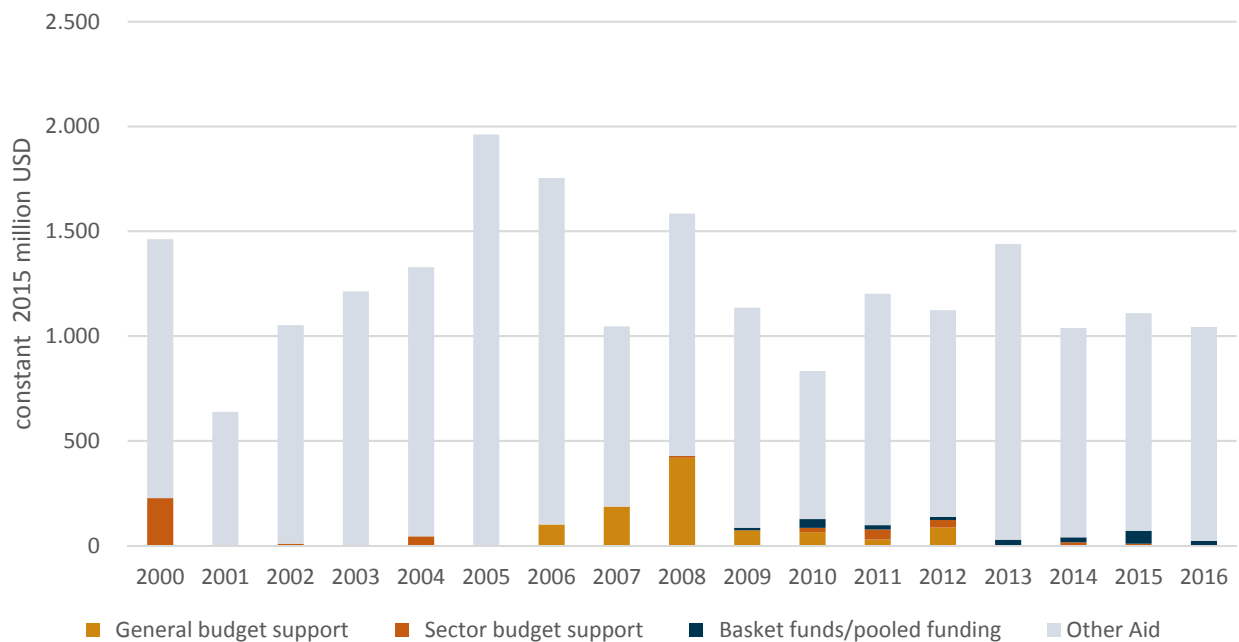
Since the exit, GBS funds have been reprogrammed mostly towards project-type interventions and some pooled funding. As Figure 56 shows, GBS has been virtually absent since 2013 and has only partly been replaced by new pooled funding. After the exit, funding was increasingly delivered through SBS, project-type interventions, multilateral programmes and funds, and support of private bodies such as NGOs (Figure 57). The level of total aid flows also increased slightly, even though partners claim that the exit from budget support has left significant gaps in funding, while donors argue that ending GBS did not change the volume of aid. An explanation for these contrasting perceptions might be that donor support is now directed towards sectors such as energy instead of pro-poor sectors, and mostly concessional loans instead of grants are provided. A multi-donor trust fund for PFM has been set up since the exit and PFM reform dynamics finally reached a moderately satisfactory level in 2017.⁶⁷

The IMF is considering a return to Zambia with a programme that would focus on fiscal consolidation. This could signal to other donors and investors that confidence in the economy is increasing. The

⁶⁷ The fund is likely to turn into a 'single' donor trust fund, as the UK is not planning to participate in a second phase and the contribution of the third member Finland are negligible compared to Germany's and UK's contributions.

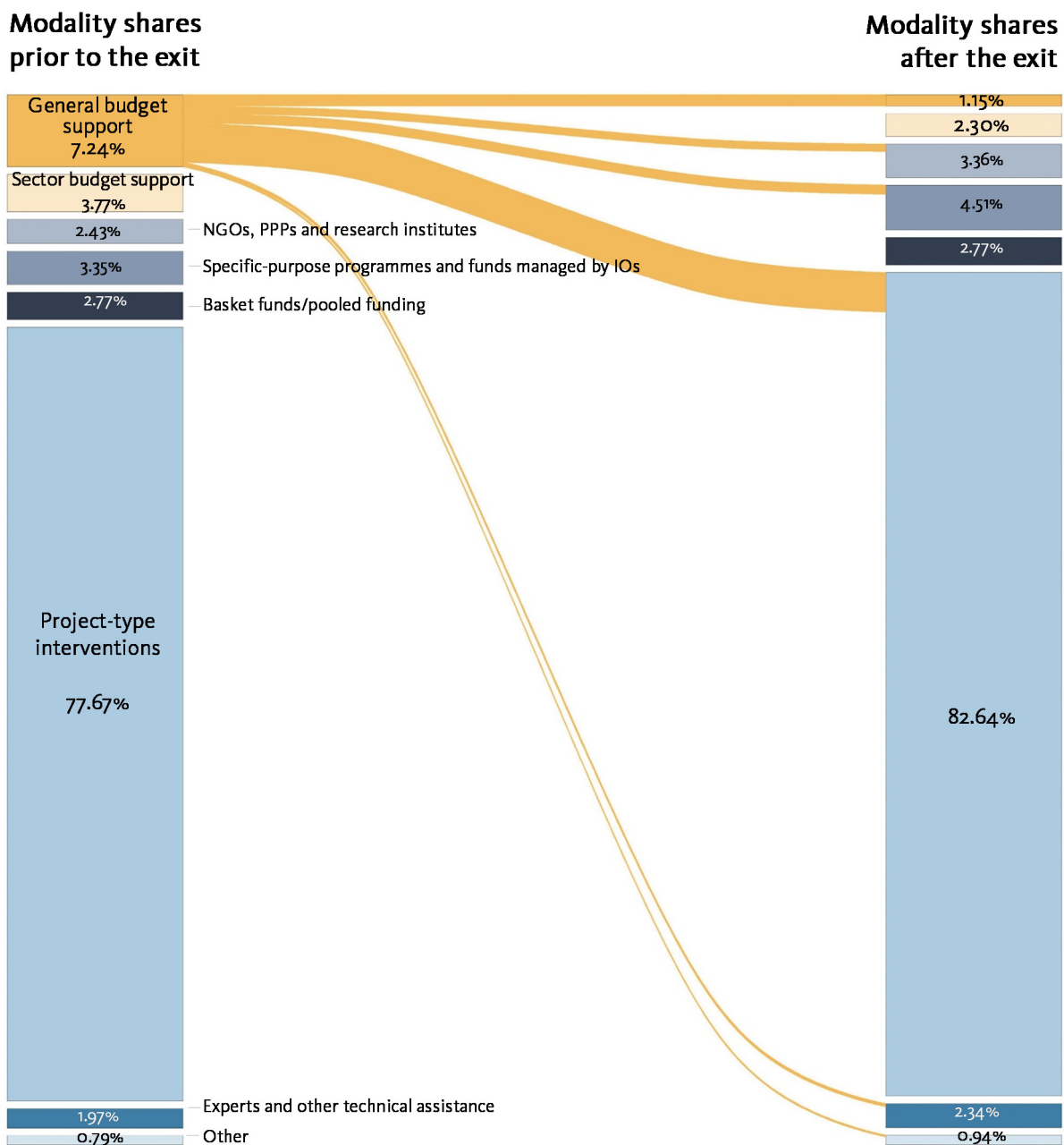
return of an IMF programme has been anticipated since 2014, but has not yet materialized due to two presidential elections, which made the required reforms politically unattractive (Arndt *et al.*, 2015). Weaknesses in PFM were highlighted by the IMF in June 2017 as a key area of required improvement for an IMF engagement (IMF, 2017e). Other donors explained that a return of SBS is only possible once this IMF programme is running.

Figure 56 Zambia donor commitment by aid type and year



Source: CRS (OECD, 2018a)

Figure 57 Zambia: shares of aid modalities before and after the exit from GBS



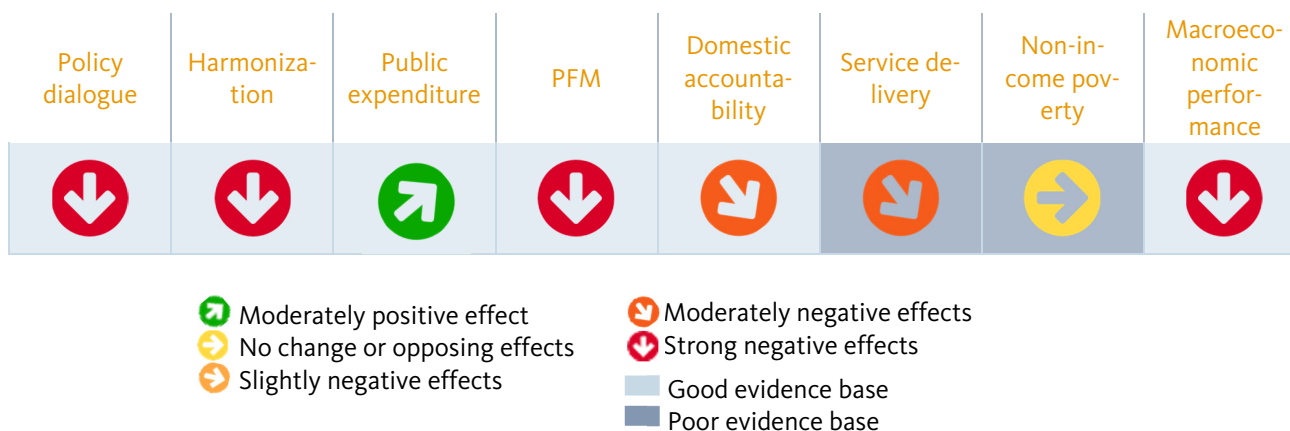
Source: CRS (OECD, 2018a)

Note: The graph displays the distribution of the aid modalities before and after the exit from GBS. It also shows which and to what extent the other aid modalities absorbed the decline in GBS. The calculation was conducted as follows: First, the distribution – or relevance – of the different aid modalities before (2012 and 2013) and after the exit (2014 and 2015) are calculated by dividing the disbursements of each aid modality by the total aid disbursements (two years before and after the exit). The difference between these two values gives the increase in relevance of each modality. In the final step, the distribution among the modalities that experienced an increase in their relevance since the exit is calculated by dividing the increase in relevance by the sum of all increases.

4.4.2 Impact of the exit in Zambia

In Zambia, mostly positive effects of budget support are compared with mostly negative effects of the exit from budget support. One exception is the constant level in public expenditure since the exit from multi-donor budget support. A constant mode of campaigning for two subsequent presidential elections seems to explain this stable level (see Figure 58).

Figure 58 Effects of the exit from budget support in Zambia



Source: own, icons provided by Dave Gandy from www.flaticon.com

Policy dialogue

In Zambia, ending GBS reduced the frequency, quality and inclusiveness of policy dialogue, especially at higher political level. The abandoned high-level political dialogue was partly replaced by dialogue in the context of the Cotonou Agreement. However, this dialogue forum is less inclusive than the earlier one, as only the government of the Republic of Zambia (GRZ) and representatives of EU Member States participate in it. Sector advisory groups are mostly still active, for example in energy and health, but include fewer stakeholders and depend strongly on GRZ and donor priorities. Regarding PFM, some of the former budget support dialogue is now taking place within the structures of the Multi-Donor Trust Fund on PFM. Generally, there seems to be much less willingness of the government to participate in dialogue with the donors than was the case during the disbursement of budget support. Further, since the collapse of the budget support dialogue (PRBS), CSOs are no longer included in a formal dialogue structure.

Harmonization among donors and access to decision makers

Since the end of GBS, the donor landscape experienced a shift from harmonization to bilateralization, when many of the positive achievements during multi-donor budget support disappeared after the exit. Harmonization had already been declining towards the end of budget support as the disagreement regarding performance indicators and disbursement decisions became more substantial. The decline of harmonization manifested in the increase in off-budget project support and the decline of policy dialogue. Co-operation among donors is rare and is, if at all, only taking place at the level of certain sectors.

Public expenditure

The most important scope conditions for process tracing in the Zambian case are the following:

- Poverty reduction has been identified as a main objective in planning and budgeting.
- Donors continued to influence the government in promoting pro-poor policies.
- The political situation (two presidential elections in two years) might have incentivized the government to allocate more funds to social sectors in order to secure votes.

The hypothetical mechanism assumes that public expenditure effects were stable, because an external variable 'interfered' since the exit from GBS (see Table 13 for the mechanism). Based on information gathered from the literature and first explorative interviews, a hypothetical mechanism was developed and later tested in interviews. This mechanism explains step-by-step how and why public expenditure remained stable after the exit from budget support.

Description of the hypothetical process (public expenditure):

During budget support, donors could influence the government's budget allocation decisions through conditionality that was attached to the budget support payments. The GRZ reacted to these incentives by increasing the allocations to social sectors, mainly agriculture and health. The donor exit occurred due to insufficient reform commitment, even though not because public expenditure declined. The exit from GBS coincided with a period of two presidential elections within two years and its associated campaigns. This ongoing election campaign incentivized the GRZ to maintain previous expenditure levels as budget cuts could have caused a loss of votes. Thereby the public expenditure effects have been sustained.

Table 13 Hypothetical mechanism for Zambia leading to sustainable public expenditure effects after the exit from budget support

Donors	Exert control through conditionality linked to BS payments
GRZ	Increases public expenditure for education, health and agriculture due to donor pressure/control
Donors	Exit from BS due to insufficient reform commitment of the government
GRZ	Keeps high levels of public expenditure for education, health and agriculture due to ongoing election campaigning
	Public expenditure effects are robust

Source: own

Note: A detailed table with all tests for each mechanism part including the assigned probabilities can be found in Annex 7.12.

Donors exerted influence through conditionality, which was linked to budget support payments. The fact that donors employed conditionality as part of the budget support programme (hoop test)⁶⁸ is uncontroversial. Likewise, not fulfilling these conditions would have negative consequences for the disbursement decisions of GBS, i.e. GBS would not be disbursed (hoop test). Many donors explicitly mentioned not fulfilling one or more aspects of the budget support conditionality as the reason for the exit or suspension of budget support in their official statements. In addition, previous temporary suspensions, e.g. in 2007 due to not fulfilling macroeconomic conditions, made it clear that budget support payments were contingent on the fulfilment of the conditionality. Employees from the MoF and CSOs stated clearly that donors were able to effectively influence the budget allocation through the conditionality. These statements can be characterized as a 'smoking gun' because it provides strong evidence that the hypothesis is true. The confidence in the entire mechanism part is high (probability of 0.936).

Because of donor pressure or control, the GRZ increased public expenditure in social sectors and agriculture. The expenditure data as well as the interviews show that the general level of public expenditure for education, health and agriculture increased during budget support (hoop test). Furthermore, it appears that during budget support, donors were able to influence the allocation of the funds (smoking gun)⁶⁹ and that donors enhanced the demand for social spending (doubly decisive).⁷⁰ Although only one source has mentioned the latter, the bias for this statement is relatively high, and the overall confidence for this mechanism is still high (probability of 0.917).

The confidence that donors exit from multi-donor budget support due to insufficient reform commitment of the government is rated as high. Through interviews, it is established that performance indicators

⁶⁸ Throughout the following sections on public expenditure, PFM and domestic accountability and budget transparency, you will find methodological information referring to process tracing. For further information on this method, see section 3.2.

⁶⁹ It is a smoking gun because the fact that the allocation of funds was influenced does not necessary mean that they translate into pro-social spending.

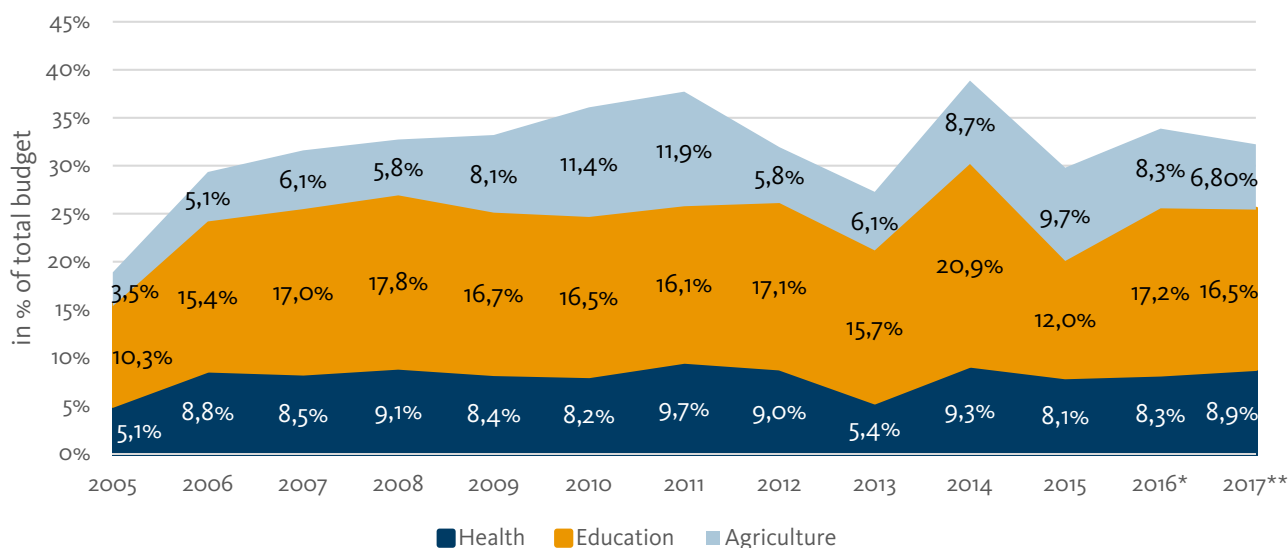
⁷⁰ The fact that donors influenced the expenditure in a way that favoured social sectors is clear evidence that the hypothesis is true. If the evidence had suggested the contrary, the mechanism part would not hold.

as part of the PAF deteriorated and were rated as insufficient (hoop test). Donors and partners also confirmed that ‘donors lost trust in GRZ commitment’ and therefore decided to abandon budget support in Zambia (doubly decisive). In sum, the certainty for this part of the mechanism is high (probability of 0.958).

While we are cautiously confident that pro-poor public expenditure has been maintained after the exit, an attribution to the exit is not possible, which does not necessarily mean that the exit had no impact. Budget allocation figures as well as statements from the interviews unequivocally confirm that the level of public expenditure for education, health and agriculture is still high, as can be seen in Figure 59 (hoop test). The budget share for health and agriculture are at higher levels in 2017 than they were prior to the exit in 2013. The budget share for education is fluctuating around a 10-year average of 16.5% of the total budget. Similarly, the level of public expenditure in the three sectors is constant and, if anything, slightly higher than during most of the GBS period. The evidence gathered in interviews regarding the reason for the maintained high level of spending indicates one main reason: the ongoing election campaigns between 2014 and 2016. It was confirmed by a variety of sources that the ongoing election campaigning has influenced public expenditure (smoking gun) and that public expenditure for education, health and agriculture is high because of the ongoing elections (doubly decisive). These findings are in line with scientific literature on electoral cycles that argue that government spending increases before elections, especially towards activities with high visibility (less into capital investments). At the same time revenues fall, leading to a larger deficit in election years (Schuknecht, 2000; Vergne, 2009). Such political budget cycles are much larger in developing countries than in developed countries (Shi and Svensson, 2002). The high levels of public expenditure can be regarded as a way to secure votes. In sum, the confidence in this mechanism part is cautious (probability of 0.842), which implies that because of the ongoing election campaigning public expenditure remained high.

However, this does not mean that the election campaign is the only reason for increased levels of public expenditure. It is highly likely that other alternative explanations also played a major role. For example, the Zambian government might have intrinsic motivation to support the social sector.

Figure 59 Zambia’s budget allocation (in % of total budget) – constant allocations in education, health and agriculture



*preliminary data; **budget data
Source: own, based on MoF data

This evaluation found that after the exit from multi-donor GBS the level and share of public expenditure for education, health and agriculture was sustained, maybe even improved. The reason for the robust effects seems to be that during the investigation period (2014-2017) Zambian politics was caught

between two presidential elections and public expenditure seems to have been a way for the government in power to gain voter's approval. The fact that public expenditure increased after the exit from GBS is counter-intuitive, because typically the omission of budget support decreases the budget. However, in the case of Zambia, the share of budget support payments in the total budget was only marginal towards the end of budget support. It is still somewhat surprising that government expenditure increased after the exit and it points towards rather unsustainable and debt-reliant fiscal policies.

Public financial management

In applying process tracing, the evaluation team was able to test the causal effects between reduced efforts in PFM and the exit from multi-donor budget support in Zambia. The confidence levels in the individual parts are very high so that we are confident in attributing the reduction in efforts to reform PFM to the exit from budget support. To fully understand the process, one has to take into account the following scope conditions for Zambia:

- Increased revenues from FDI and copper profits reduced the share and thereby the dependence on donor funds.
- Donors reduced their budget support payments so that the share of donor inflows to the budget decreased even further.
- After the death of President Sata in office, two presidential elections in two years followed the exit.

As a reaction to these changing circumstances, the GRZ allowed a deterioration of PFM reform efforts. In the light of these insufficient reform commitments from the GRZ, donors exited from GBS. This departure from budget support led – at the same time – to a fragmentation of the aid portfolio. The GRZ, on the other hand, did not sustain a high-level political dialogue to discuss major causes of the budget deficit with the donors. Instead, efforts on budget credibility and budget discipline were further reduced as a result of the ongoing election campaigning and the intent to secure votes. Consequently, the MoF increased the borrowing level and increasingly diverted with the budget execution from the planned budget.

The causal link between the exit from multi-donor budget support and a decline in PFM performance was tested through process tracing (see Table 14 for the mechanism). Based on information gathered from the literature and first explorative interviews, it was possible to develop a hypothesized mechanism and test it through extensive further interviews. The mechanism explains step-by-step how and why PFM efforts decreased as a result of the exit from budget support.

Description of the hypothetical process (PFM):

Since 2008, donors were gradually reducing their contributions to budget support, while at the same time other revenue gained in importance as a source of funding in Zambia, particularly investments from Asia and copper yields. This meant the share of budget support in the budget was becoming smaller every year and thereby the donors' leverage to push for any sort of reform decreased. Without the incentive of receiving significant budget support, the GRZ reduced its efforts in PFM and other reform areas. Donors felt vindicated by the insufficient reform commitment from the GRZ and stopped their budget support programmes. The donor portfolios became more fragmented once budget support was abandoned. The GRZ, on the other hand, did not sustain the high-level political dialogue with donors and conducted no further performance assessment on budget management and PFM. Without this control mechanism, the budget discipline and thereby the budget credibility declined. This process was fuelled by the ongoing election campaign, which made budget cuts very unattractive. The MoF followed these government decisions, increased the borrowing, and diverted strongly from the planned budget.

Table 14 Hypothetical causal mechanism for Zambia regarding reduced PFM efforts

Donors	Reduce amount of GBS and thereby...
	... decrease leverage to push for PFM reform
GRZ	Reduces reform efforts regarding PFM, accountability and other conditionality
Donors	Exit from GBS due to insufficient reform commitment by the government
Donors	Increase fragmentation of the aid budget (decrease harmonization)
GRZ	Does not sustain joint dialogue about major causes of budget deficit with development partners
GRZ	Further decrease efforts on budget credibility and discipline fuelled by ongoing election campaigning
MoF	Increase borrowing, and diverts with the executed budget from the planned budget
	PFM efforts further reduced

Source: own

Note: A detailed table with all tests for each mechanism part including the assigned probabilities can be found in Annex 7.12.

Donors reduced their amount of budget support and thereby lost leverage to push for PFM reform. At the same time, Zambia's dependence on GBS was lowered. Figure 55 and interviews consistently confirm that the FDI increased strongly since 2009 and revenues from copper and foreign investment surged in the run-up to the exit from GBS. This finding implies that in order to keep the relative share of donor funds in the budget constant, the absolute volume of budget support would have had to increase. The subsequent test that the graduation to lower-middle-income country status made donor funding less affordable and attractive is also easily confirmed. In 2011, Zambia effectively passed the threshold income level to become a LMIC. Since then, funding became more expensive for the GRZ; and for donors it became harder to justify any sort of concessional funding. In consequence, the share of donor funding in the budget decreased (doubly decisive) as shown by the declining share of grants in the Zambian budget in Figure 55. In addition, reports and interviews also confirm that the share of budget support in the budget steadily decreased over time. Since these facts are all undisputed and well documented, the evaluation team is reasonably certain about this mechanism part (probability of 0.977).

The second aspect of the mechanism part – donors lack leverage to push for PFM reform – is also passed with a high level of confidence. It seems that initially budget support was able to leverage reforms (hoop test). However, over time the number of indicators as part of the conditionality increased and all sides acknowledge that the conditionality might have been set too ambitiously (hoop test), and thus the GRZ might have perceived them as unachievable at some point. The decreasing share of budget support in the budget seems to have contributed to a further decline in leverage. In combination, the declining share of budget support in the budget and the proliferation of conditionality turned the cost-benefit relation unfavourable for the GRZ, and thus reduced motivation for further reforms (smoking gun). The overall confidence in this mechanism part is high (probability of 0.899).

The GRZ subsequently reduced its efforts regarding PFM, accountability and other conditionality. It appears that the reform dynamics strongly deteriorated (doubly decisive) prior to the exit, which has also been indicated by the Open Budget Index for Zambia (Kalondawanga, 2015). According to this report, budget transparency plummeted in 2012, reaching only a score of 4, while in 2010 the score had been at 36. Towards the end of budget support, the GRZ provided less information to the donors and the public. Line ministries stopped attending the policy meetings at some point, showing a clear reduction of efforts from the side of the GRZ. Based on these findings the post confidence is rated as high (probability of 0.857).

The confidence that donors exit from multi-donor budget support due to insufficient reform commitment by the recipient government in this mechanism part is rated as high. Press releases and interviews

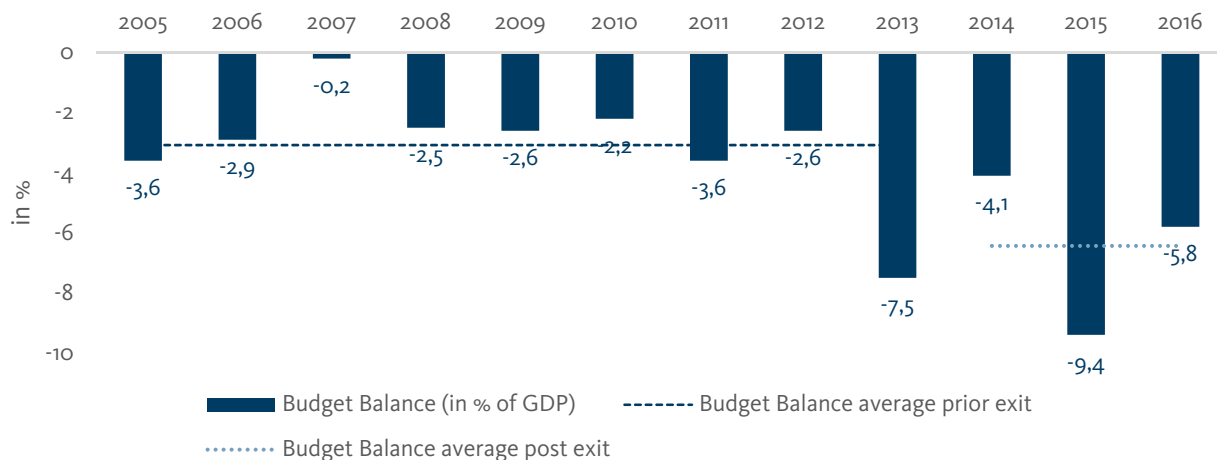
established that the performance in core indicators of the PAF deteriorated and did not reach the set targets (hoop test). Donors and partners also confirmed in the interviews that ‘donors lost trust in GRZ commitment’ to achieve the performance indicators and therefore decided to exit from GBS in Zambia. In sum, the confidence in this part of the mechanism is high (probability of 0.907).

Data and interviews confirm that the fragmentation of the aid portfolio increased and harmonization declined. Especially from the partner side, but also some donors confirmed that the objectives and approaches of the different donors were diverging (hoop test). The interviews further confirmed that the aid budget has become more fragmented since the exit, which is also indicated by displaying the increase in project-type interventions. Regarding harmonization, the evidence is somewhat inconclusive. Partners and some donors see a deterioration or even complete disappearance of harmonization (doubly decisive). This statement contrasts with other donors’ statements that regard harmonization as unproblematic. The incentive for a biased statement from the donors is very high in this case, the majority of sources confirmed that harmonization declined, and donors only claimed that harmonization still exists but did not specify in what form. Therefore, the hypothesis remains valid even though the confidence slightly reduced due to the contradictory evidence. The post confidence for this part of the mechanism is high (probability of 0.867).

The GRZ did not sustain a joint dialogue with donors about major causes of the budget deficit. Multiple sources including the MoF and donors confirmed that there is not the same extent of dialogue as during budget support (doubly decisive). This means that high-level policy dialogue is no longer taking place and the Cooperating Partner’s Group is meeting less frequently. Some donors pointed out that already while budget support was disbursed, the effectiveness of the dialogue was limited. However, the new dialogue forums have no binding character and are therefore highly unlikely to be more effective. A limitation of this mechanism part is, however, that in theory the budget deficit and PFM could still be discussed in the limited dialogue structure. The overall confidence in this mechanism is high (probability of 0.817).

The GRZ further decreased efforts on budget credibility and discipline due to the incentives for higher public spending to secure votes in the ongoing elections. The data shows that budget discipline decreased since the exit (doubly decisive; see Figure 6o). It has also been repeatedly claimed in interviews that budget execution and budget planning are strongly diverging. As noted by a World Bank Report, Zambia has accrued a sizeable fiscal deficit since 2013. The fiscal deficit (including new arrears) rose from -6.8% of GDP in 2013 to -7.8% in 2014 to -12.0% in 2015. The trend might be reversing since 2016, as the deficit is at -5% of GDP (World Bank, 2017e). It appears that based on the evidence from the interviews, one of the main reasons for the low budget discipline was the fact that Zambia found itself in an extended three-year electoral cycle (doubly decisive). The necessary budget cuts to reduce the fiscal deficit might have cost important votes, so that the expansion of the deficit was a rationale response to these circumstances by the government. Such arguments are in line with literature on electoral cycle and its negative effect on budget discipline (Brender and Drazen, 2004; Shi and Svensson, 2002; Vergne, 2009). The levels of corruption and misappropriation in the government seem to be still high or even increasing (smoking gun): cases of misappropriation of funds outside of the IFMIS system have occurred in 2017, and before. This points towards a higher prevalence of corruption, but the corruption perception index has been constant since 2013 for Zambia (Transparency International, 2017). Some improvements are reported for the use of IFMIS and PFM in general. This test is classified as a contradictory hoop test, i.e. the improvements in PFM are a necessary condition to reject the hypothesis. However, given that these improvements are slow and not systematic and other contradictory evidence is not identified, the overall confidence in the mechanism part is still rated as cautiously confident (probability of at 0.703).

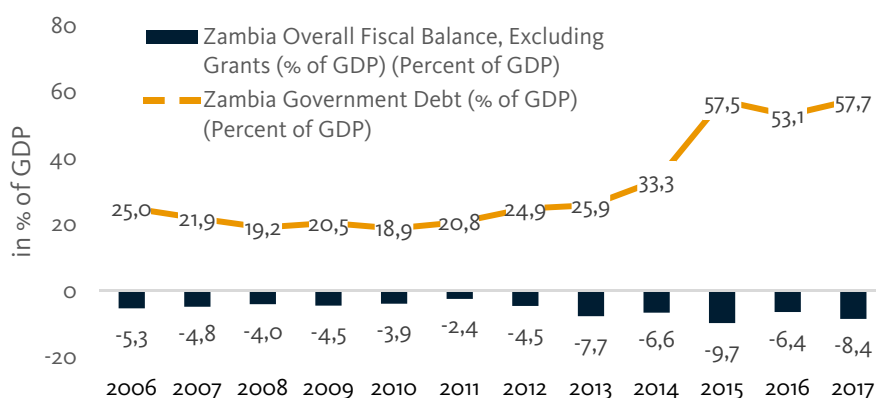
Figure 60 Increasing budget balance deficits after the exit from GBS



Source: own, based on MoF data

Finally, the MoF’s reaction to these circumstances was to increase borrowing. As Figure 61 and interviews show, Zambia’s debt has increased since the exit – from around 20% of GDP before the exit to 58% of GDP in 2015 (doubly decisive). Once the revenues fell below target, partly due to the omission of budget support, but more importantly due to declining copper prices, the GRZ did not make the necessary expenditure adjustments, resulting in a substantial build-up of arrears (World Bank, 2016c). The explanation why the MoF has not promoted fiscal austerity might be that the Minister of Finance is from the opposition party and has therefore limited political power (straw in the wind). The confidence in this final part of the mechanism is high (probability of 0.925).

Figure 61 Increasing borrowing after the exit from GBS



Source: IMF Fiscal Monitor (2017d)

Since the exit from multi-donor budget support, the performance in PFM reforms has declined, which can be attributed to the exit from GBS. The effects of the exit have been very pronounced regarding the quality of the policy dialogue. The omission of high-level political dialogue between the GRZ and donors and the associated lack of accountability is one key component in explaining the decline in PFM performance. Excessive government spending is another reason for the decline. The level of borrowing increased after the exit, partly because donor funds were unavailable for the budget and partly because the two to three-year period of political campaigns made fiscal austerity unattractive.

Domestic accountability and budget transparency

For Zambia, we found a causal link between the exit from multi-donor budget support and a decline in domestic accountability and budget transparency through process tracing (see Table 15 for the mechanism). A detailed presentation of the scope conditions for Zambia can be found in the section on PFM as well as the description of the first five mechanisms.

Description of the hypothetical process (domestic accountability):

The decline in GBS share in the budget and associated loss of leverage (outlined in the section above on PFM) also affected the GRZ's efforts in accountability. Donors felt vindicated by GRZ's insufficient reform commitment and stopped their budget support programmes. The donor portfolios became more fragmented once budget support was abandoned. The GRZ, on the other hand, did not sustain the dialogue on issues of domestic accountability with the donors and conducted no further performance assessment on budget management and PFM. CSOs and donors were also not consulted about the budget, and since they were not formally participating in the budget process, CSOs had no more means to exert control over the government. Similarly, without a formalized process for budget scrutiny, other domestic accountability institutions (DAI), like the Auditor General or the parliament, lacked leverage to enforce a follow-up on their recommendations. Under these circumstances, the GRZ reduced budget transparency and budget accountability further. Figuratively speaking, domestic accountability and budget transparency declined because the 'carrot' of donor funds was missing as well as the 'stick' of CSOs scrutiny, donor conditionality and DAI's influence.

Table 15 Hypothesized mechanism for Zambia leading to reduced domestic accountability

Donors	Reduce amount of GBS and thereby decrease leverage to push for PFM reforms
GRZ	Reduces reform efforts regarding PFM, accountability and other conditionality
Donors	Exit from GBS due to insufficient reform commitment of the government
Donors	Increase fragmentation of the aid budget
GRZ	Does not sustain dialogue with development partners on macro, budget and PFM issues
GRZ	Conducts no performance assessment about the budget, and conducts no formalized donor/CSO consultations about the budget
CSO	Cannot exert control because formalized participation in budget process is absent
DAI	Have no formalized leverage to enforce/follow up on recommendations
GRZ	Reduces budget transparency
GRZ	Reduces budget accountability
	Budget transparency and domestic accountability are further reduced

Source: own

Note: A detailed table with all tests for each mechanism part including the assigned probabilities can be found in Annex 7.12.

The GRZ stopped to conduct performance assessments about the budget and did not allow formalized donor or CSO consultations on the budget. Both donors and MoF representatives have confirmed that the quality of reporting on the budget decreased after the exit (smoking gun). Only one conflicting statement claims that an external party is evaluating the performance of the MoF based on the original PAF indicators (smoking gun). Although the bias of this statement is assessed as very high because there was no further proof for this statement, both tests are of the same type and therefore weighted equally, lowering the post confidence. The participation of CSOs in the budget dialogue seems to have disappeared (smoking gun). During budget support, CSOs were participating in the formalized policy dialogue and discussions on budget-related topics. After the exit, their role seems to have shrunk to provide policy recommendations,

often in the form of unsolicited policy advice rather than in a regular fashion. This shows that the exit has negatively affected the demand-side of domestic accountability. All but one CSO interview partner underscored that regardless of the deterioration they are still providing recommendation to policymakers and are consulted. This somewhat contradictory evidence also lowers the overall post confidence for the mechanism to 0.537.

Because CSOs are no longer formally participating in the budget process, they cannot exert control. It is uncontroversial that the participation of CSOs in the budget process has decreased since the exit (hoop test), as they have no access to crucial budget information and are no longer formally invited to budget consultations. Furthermore, the ability of CSOs to disseminate their message declined (hoop test) because the freedom of press deteriorated and the media is generally not inclined to cover government critical findings. Somewhat surprisingly, even CSOs themselves confirmed that they cannot effectively exert control in the budget process. Overall, this should provide a high level of confidence that the hypothesis is true, implying that the demand-side of domestic accountability has become weaker since the exit. However, CSOs also claim they are still providing valuable policy advice and have access to information. It seems likely that the interviewees have great incentive to describe their effectiveness and work in the best possible way. In addition, their statements could be interpreted such that they are producing analysis that could potentially influence the policy dialogue on budget; while in reality their recommendations are not picked up. Overall, since the contradicting evidence does not disconfirm the hypothesis and is subject to a large potential bias, the confidence in this part of the mechanism is still rated as cautiously high (probability of 0.739).

Similar to the situation of the CSOs, DAI have no formalized leverage to enforce or follow up on recommendations since the exit from multi-donor budget support. The Office of the Auditor General (OAG), despite its overall satisfactory performance, appears to have little power. Its inability to enforce a follow-up on audit reports is a clear indication of this limited power (doubly decisive). The Auditor General lacks independence too, as he is directly appointed by the President. This arrangement can easily cause a conflict of interest for the position of the Auditor General, because reports critical of the government might jeopardize job security. Similarly, the anti-corruption commission seems to suffer from a lack of independence (doubly decisive). The head of the anti-corruption commission, for example, resigned because of being told which cases to investigate. The prosecution of corruption cases is rated as 'not satisfactory' and targets, if at all, only minor offenders (hoop test). Evidence to prove that the parliament has very limited leverage in the budget process (doubly decisive) is very strong, and comes from independent reports⁷¹ (Bertelsmann Stiftung, 2016b) as well as from interviews with the partner side. It appears that the legislation has limited influence on budget decisions because the budget is only presented and discussed after it is finalized so that decisions are not made by the parliament. In contrast to these findings, some statements from the partner side indicate that the parliament has proven to be effective in bringing forward important legislation (contradictory hoop test). Because the evidence overwhelmingly confirms our hypothesis, and the incentive for a bias for the contradictory claims is very high, the overall confidence is still rated as cautious (probability of 0.791) – even though it was slightly reduced to account for the contradictory evidence.

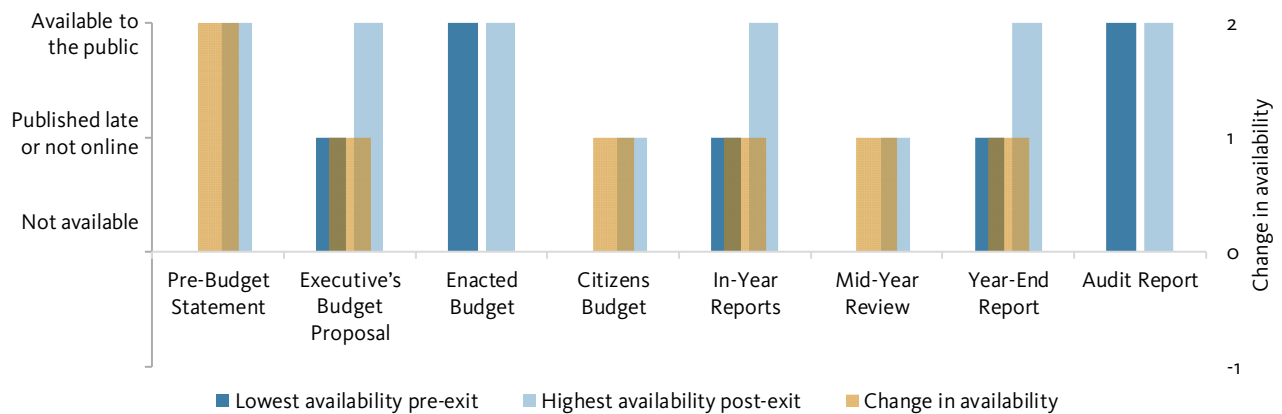
The consequence of these developments is a reduction in domestic accountability, which has been most noticeable in budget execution. After the exit from budget support, a decline in domestic accountability seemed to have occurred (doubly decisive) as evidenced by various interviews with donors and CSOs. The budget execution has proven to be particularly problematic. In contrast to these findings, some recent reform aspirations point towards an improvement or change of mind. A new act will obligate the MoF to report loans and guarantees agreements to the parliament before they are signed. Until now, these agreements were presented only *ex post* to parliament. This is an indication, but by no means confirmation, that domestic accountability (and budget transparency) might be improving again. It remains questionable if this is an improvement compared to the level right after the exit from budget support or simply a reversing of a

⁷¹ 'the constitution remains 'top heavy' it does not include sufficient checks and balances on the executive. [...] As a result, it is rare for the judiciary or parliament to act against the executive, despite many attempts by international donors to strengthen the judiciary and parliament.' (Bertelsmann Stiftung, 2016b, p. 8)

negative trend. This evidence reduces the confidence in our hypothesis, and the confidence that budget accountability declined is rated overall as more likely than not (probability of 0.548).

For budget transparency, the picture is more nuanced. Budget transparency formally fulfils the conditions for transparency; yet, transparency with practical relevance has been declining since the exit. This means, for example, that, while on paper the planned budget is published and available, the information provided cannot be easily interpreted⁷² and in some cases, the data is even incorrect. Data from the Open Budget Survey (Kalondawanga and Chileshe, 2017) confirms this first statement as the availability of budget documents remains constant or improves in all of the categories. However, it should be noted that the variance is quite large and only the enacted budget and audit reports have been published in a consistent manner (see Figure 62). The evaluation team’s own assessment reveals a slightly different picture. The online availability of budget documents is decreasing since budget support exit (see Figure 63). Annual debt reports and annual financial reports have not been updated since 2014.⁷³ Due to this contradictory evidence and the mentioned reform aspirations, we are only slightly more confident than not concerning this mechanism part (probability of 0.573).

Figure 62 Public availability of budget documents is robust throughout the exit in Zambia



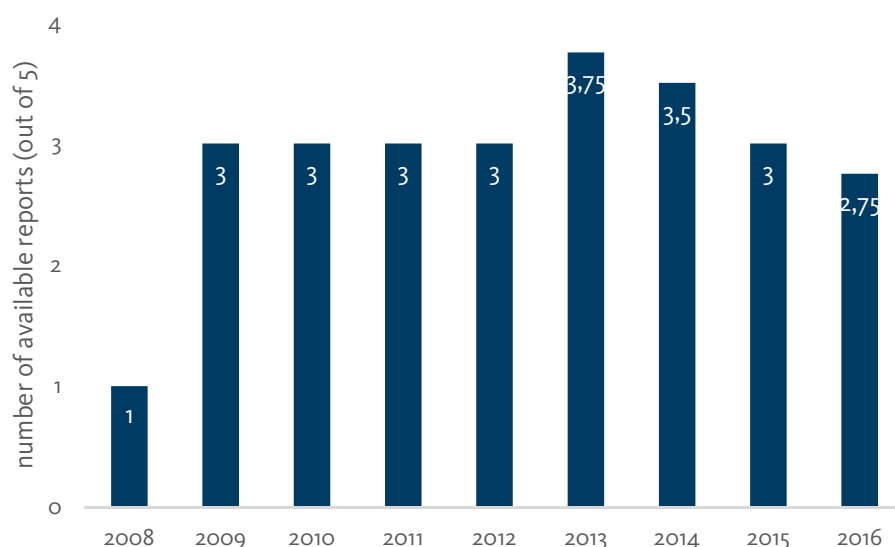
Source: *Open Budget Survey 2017* (Kalondawanga and Chileshe, 2017)

Note: The availability of the document shows a great variance and does not always follow a clear trend in the four countries, so it was decided to use a conservative approach, which ensures that negative ‘changes in availability’ reflect definitely deteriorations. This is why the lowest value before the exit is compared to the highest value after the exit. ‘Lowest availability pre-exit’ includes the minimum value for the 2010 and 2012 surveys and ‘Highest availability post-exit’ includes the maximum value from 2015 and 2017 surveys.

⁷² This ‘yellow book’ is roughly a 2,000-page document of tables with numbers without any explanation of these numbers.

⁷³ We did not consider data for 2017 because annual reports cannot be produced at the point where this report is written. It should be also noted that in 2008 a lower IT capacity might have prevented the publication of more reports.

Figure 63 Total number of available budget documents from the Zambia's Ministry of Finance website



Source: own, based on accessible information from the MoF website (MoF, 2017)

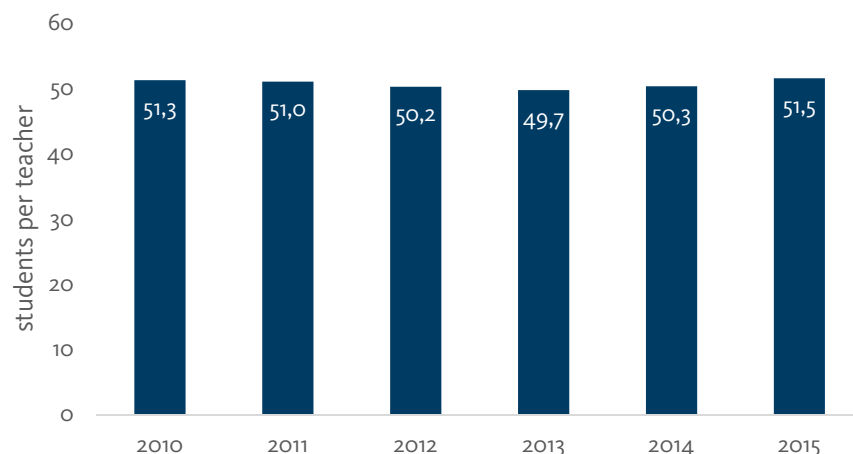
Note: Reports assessed are 'annual debt reports', 'annual financial reports', 'quarterly budget execution reports' (each report counts 0.25), 'Yellow book', 'Citizens budget'. This analysis only includes series of reports that appeared more than three times.

Evidence after the multi-donor budget support exit shows that domestic accountability has been declining and that the causal attribution to the exit from budget support has been confirmed via process tracing. The omission of external control and incentives had adverse effects on the inclusion of demand-side actors in the budget process. The loss of policy dialogue eliminated whatever participation CSOs had in the budget formulation process. In addition, the GRZ has curtailed press freedom, thereby eliminating communication options for CSOs. Budget transparency seems to remain high on paper but the quality and utility of the provided information remains questionable.

Service delivery

The data availability for service delivery allows only a very limited analysis, but it shows a slightly negative tendency in the area of education service delivery. During the GBS period, service delivery in education and health had been improving, while delivery seems to be slightly deteriorating after the exit service. In the education sector, the student-teacher ratio increased from 49.7 in 2013 to 51.5 in 2015, i.e. each teacher has to provide education to more students (see Figure 64).

Figure 64 Student-teacher and student-school ratio for Zambia

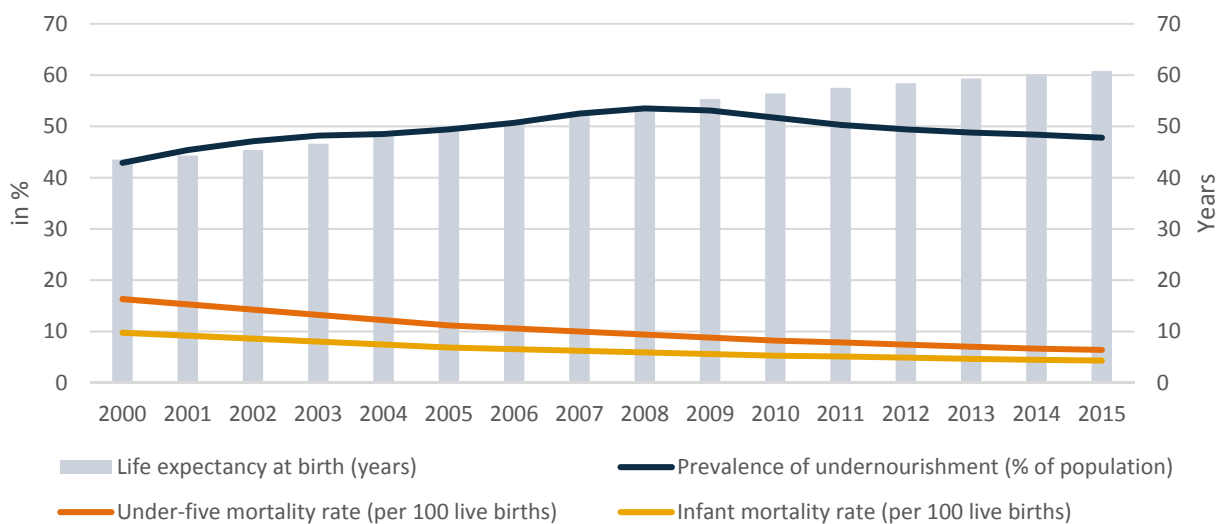


Source: 2015 Education Statistical Bulletin (Ministry of General Education Zambia, 2016)

Non-income poverty

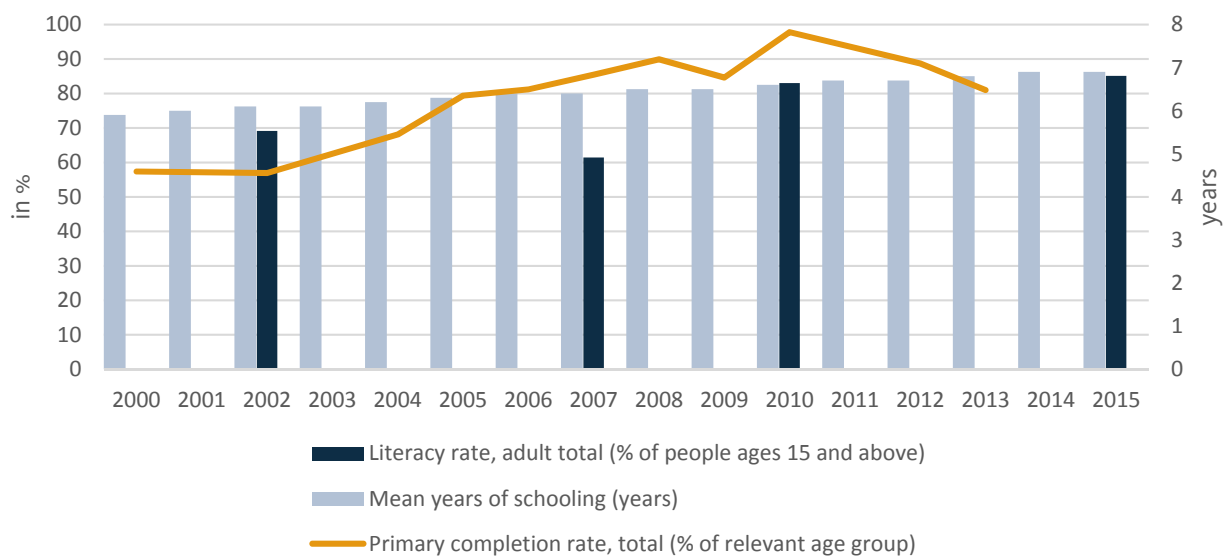
It appears that the exit has not noticeably negatively affected non-income poverty. The available data, presented in Figure 65 and Figure 66, allow few conclusions regarding the effect of the exit on non-income poverty. Under-nourishment prevalence, for example, declined from 53% in 2008 to approximately 48% in 2015. The most interesting development might be the primary completion rate. It had been increasing until 2010, around the time President Sata took office and donor relationships started to deteriorate. Since then, the completion rate has been declining (until 2013). Yet, the most recent data point is for 2013 so that we can draw little inference on the effect of the exit. Improvements in the health sector have continued after the exit: the under-five mortality declined from 16% in 2000 to 6.4% in 2015 and life expectancy increased from 43.5 years in 2000 to 60.8 years in 2015. Overall, it seems that non-income poverty was not really affected by the exit from budget support. This is not very surprising given that public expenditure in the social sector remained high and that effects might only be detectable after some time.

Figure 65 Health indicators for Zambia



Source: World Development Indicators (World Bank, 2017c)

Figure 66 Education indicators for Zambia



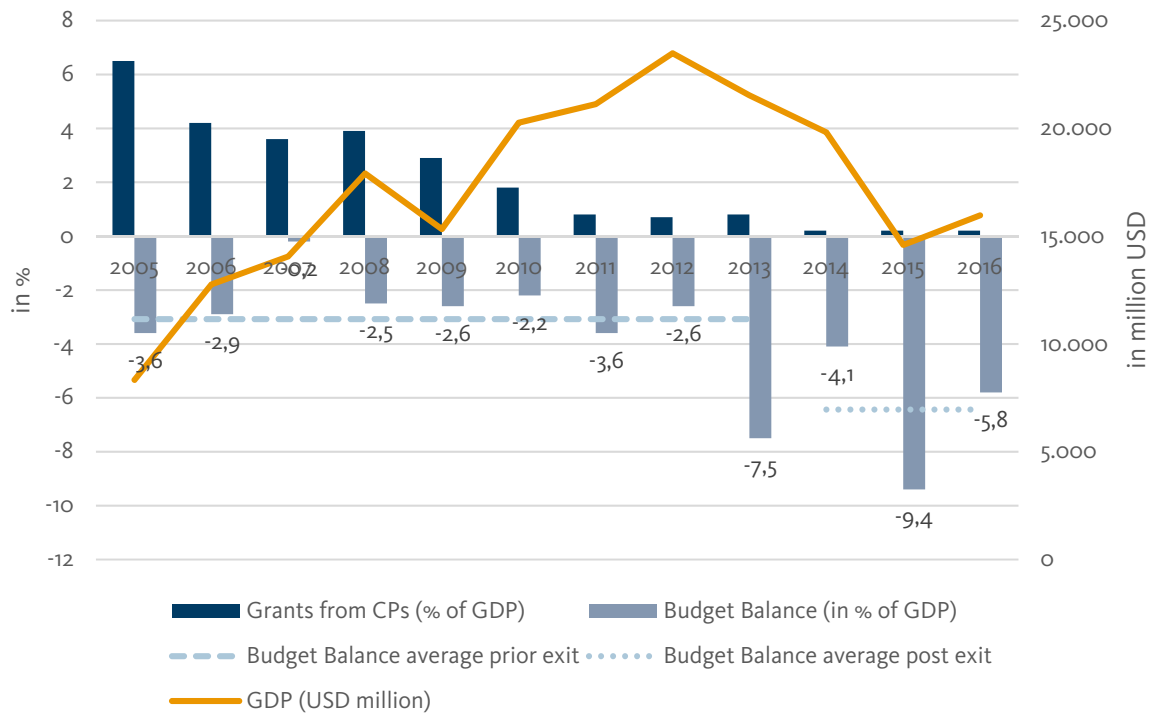
Source: World Development Indicators (World Bank, 2017c)

Macroeconomic performance

Zambia experienced a dramatic decline in terms of its macroeconomic performance towards the end of multi-donor budget support and after the exit. The contribution of budget support to this decline is at best small because budget support had virtually lost relevance for the Zambian budget by the time the macroeconomic performance was deteriorating. As external conditions deteriorated, including slower regional and global growth and a sharp decline in the price of copper, the fiscal deficit rose and large arrears were building up. The fiscal deficit (including external grants) rose to 9.4% in 2015, up from 2.6% in 2012. Prior to the exit in the period 2005-2013 the budget deficit averaged 3.1% of GDP, while after the exit the fiscal deficit averaged 6.4% of GDP (Figure 67).

The financial gap created by the suspension of budget support was offset by external debt, especially through Eurobonds and new non-concessional sources, which led to a huge increase in the total debt level (World Bank, 2017e). The share of budget support in the GRZ budget was small, yet in absolute terms budget support still constituted a considerable amount – according to CRS data USD 86 million in 2012 – which had to be compensated for. The GRZ issued Eurobonds and received non-concessional loans from several countries, including China, during and after the exit. At the end of 2014 external public and private debt stood at 24% of GDP compared to 15% in 2011, largely reflecting the issuance of Eurobonds (see IMF, 2015c). Because of these external sources, Zambia shifted from a balance between domestic and external debt to a now predominantly externally indebted economy. Moreover, the total level of debt increased from about 30% of GDP before the exit (2013) to levels around 55% in the years following the exit.

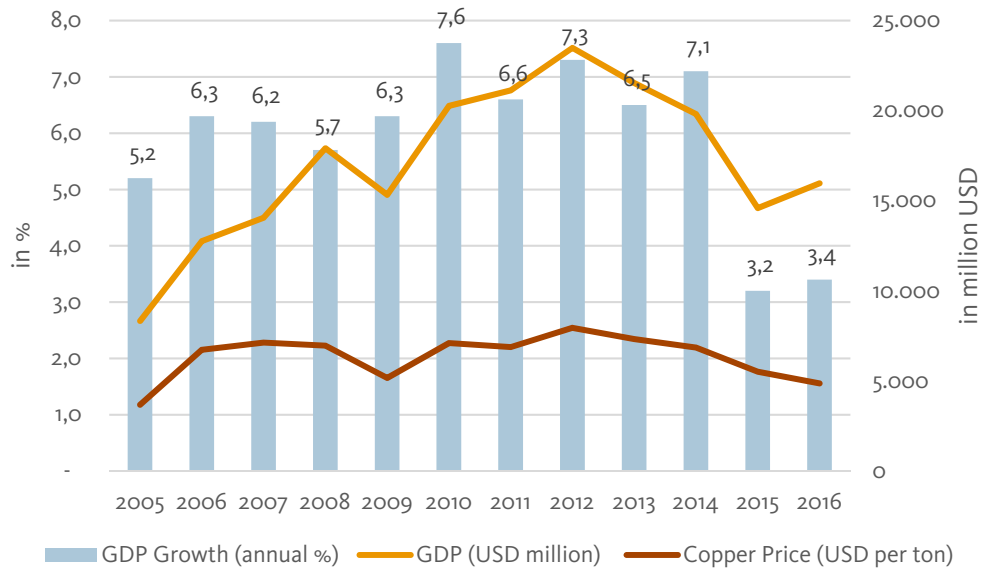
Figure 67 Zambia macroeconomic context – budget deficits and declining GDP after the exit



Source: own, based on MoF data

It is not clear whether increased budget deficits since 2012 are the result of the exit from multi-donor budget support or a falling copper price. Figure 68 shows the dependency of the Zambian GDP on the world market price for copper. In times of high copper prices, the omission of donor funding and high levels of expenditure could be relatively easily offset; once the price deteriorates, the fiscal situation tightens immediately. The copper price reductions had negative impacts on the current account, which had been in surplus until 2013 and turned into a current account in deficit in 2014 (World Bank, 2014). The government expenditure has not been adjusted appropriately to respond to this decline in revenue, having depleted the central bank's foreign-exchange reserves to a six-year low (Hill and Clifford Mitimangi, 2016). The GDP growth fell below the sub-Saharan average in 2013 and remained below this regional average until now. It is possible that with budget support the decline would have been partly offset because it would have provided additional funds and pressure to maintain fiscal austerity. Although this might appear plausible, we cannot attribute the macroeconomic developments to the exit of budget support, especially because the relevance of GBS for the budget was already very low prior to the exit. Interviewees often claimed that the fiscal discipline was reduced after the exit and budget debt thresholds were elevated. It is unclear if it is as a direct consequence of the exit or if it would have happened regardless.

Figure 68 Dependency on copper: development of GDP and copper prices in Zambia 2005-2016



Source: own, based on MoF data

5 ROBUSTNESS OF BUDGET SUPPORT EFFECTS: A BEFORE-AND-AFTER EXIT COMPARISON

Reading manual

This chapter presents the findings on how the exit from multi-donor GBS affects structures, processes and developmental achievements that can be attributed to the provision of budget support. The chapter is thematically divided into sections on the effects on budget support structures for policy dialogue, donor harmonization and on the impact areas of the intervention logic public expenditure, PFM, domestic accountability, service delivery, non-income poverty, and macroeconomic performance. After a summary of findings across the four case studies (for an overview see Annex 7.15), each of the following thematic sections starts by briefly describing the relevance of the topic in the budget support theory of change and the knowledge prior to the exit, using evidence from a previous evaluation synthesis on the effects of budget support (Orth *et al.*, 2017). Next, the aggregated findings across all four case study countries are presented and can be contrasted to the effects prior to the exit. Readers who are interested in aggregate results of the exit from budget support should focus on this section, while the country-specific results are in Chapter 4.

5.1 Summary findings

Before-and-after comparison of budget support effects

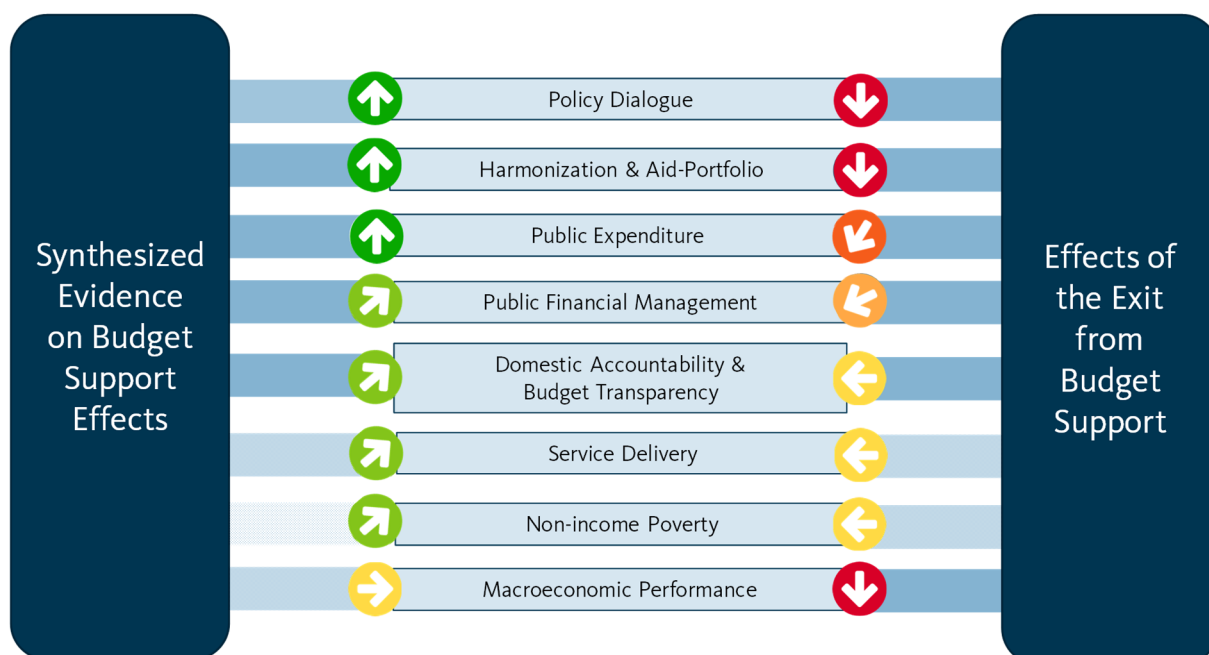
In combination with the findings of the synthesis study explained in the Introduction to this report (Orth *et al.*, 2017) it is possible to undertake an analysis that allows to identify causal effects of budget support. The central question of whether budget support caused any changes has been hard to answer due to the lack of a counterfactual. This report provides the unique opportunity to create a quasi-counterfactual using findings from the synthesis study on the effects during the GBS period and comparing them to the results after the exit. Quasi-counterfactual means that if we find that the introduction of budget support improved a certain outcome and the exit from budget support decreased the same outcome, it is safe to assume that budget support triggered these outcome changes and not some unknown omitted variable.

The analysis shows that the exit from GBS had negative effects on most areas that formerly benefited from positive budget support effects. The consequences of the exit from GBS are most pronounced for a decrease in harmonization, higher fragmentation of the aid portfolio and weakened policy dialogue. Effects of budget support during the budget support period are consistently positive, whereas after the exit these effects became negative in all of the four case studies. The analysis further shows large differences for public expenditure, PFM and macroeconomic performance; but for these areas, the outcomes after the exit vary between the countries. For example, PFM remained constant in the case of Rwanda, while Uganda and Zambia experienced a decline and the possible relaunch of GBS in Malawi stimulated the reform effort. Overall, the PFM reform effort decreased due to a lack of external pressure since the exit. For service delivery and non-income poverty, the repercussions are less clear, because the evidence base before and after the exit is not sufficient (see Figure 69, and for a summary of all country level results see Annex 7.15).

Robustness of budget support effects after the exit

The exit from multi-donor budget support had negative effects on most areas that previously had registered positive budget support effects (see Figure 69). Based on the analysis of the four case studies, the evaluation finds that the exit from budget support had strong negative effects on harmonization among donors, the existence of a quality policy dialogue and macroeconomic performance. The exit had negative effects in the case of public expenditure and mild negative effects on PFM. No immediate or contradictory effects of the exit from budget support on domestic accountability and budget transparency, service delivery and indicators of non-income poverty could be detected. However, this does not mean that such effects can be conclusively ruled out, as they can be expected to impact indicators such as access to health services or education only in the medium to long term.

Figure 69 Summary of exit effects



Source: own, icons provided by Dave Gandy from www.flaticon.com

Note: The arrows indicate the effect direction and effect magnitude. Arrows facing vertically up/down indicate a strong positive/negative effect. Diagonal arrows indicate that the effect is predominantly positive/negative. Horizontal arrows indicate that there were no (or contradictory) effects. The shading of the bars indicated the quality of the evidence base from good (solid), medium (darker shade) to weak (lighter shade).

For an overview of the exit results at country level and the corresponding aggregate result, see Annex 7.15.

Most prominently, the exit from budget support led to a **collapse of a high-level political dialogue between donors and partners and to an increase in the fragmentation of aid**. The collapse of these structures substantially limited the dialogue on important policy reforms and beyond that strained the relationship between donors and partners. Since the exit, development cooperation became highly fragmented, mostly shifting to individual project-type interventions. Coordination and harmonization among development partners deteriorated substantially, with each development partner often using different planning, implementation, monitoring and reporting processes.

The influence of development partners on partner governments' strategic policy formulation and reform agendas through dialogue and conditionality decreased substantially. The diminished involvement of donors in policy planning and monitoring led to a departure from the reform agenda of the GBS period. Large providers of external assistance still have some leverage, but the extent of this varies substantially and hinges primarily on the importance of the donor's financial contributions or the donor's central role in the provision of services, for example in health.

The possibility of a relaunch of GBS provided some incentives to push for reforms after the exit in Malawi and to some extent in Uganda. Otherwise, reform efforts continued in some areas; however, they were not attributable to donor influence, rather were predominantly due to domestic factors, such as fiscal pressure or electoral campaigning.

The effects of the exit from budget support on **public expenditure** among the four case study countries are mixed, but a general tendency of a decline in relevance of expenditure for social sectors is observable. Right after the exit, the level of public expenditure to poverty-relevant sectors dropped significantly, but gradually recovered in the following years. This did not translate into lower levels of service delivery and it seems that service delivery has been only slightly affected, if at all, by budget reductions in social sectors.

For **PFM and domestic accountability**, the exit from budget support also had slightly negative effects. However, the effects differ among the case study countries. For example, in Malawi and Uganda where the exit from budget support had been the result of a major corruption scandal, a renewed focus on PFM was set, as the scandal showed that reforms in PFM were urgent. In Rwanda, the performance in PFM reforms remained stable after the exit from budget support. Explanation is the strong ownership of the government, particularly for reforms in PFM. Regarding domestic accountability, the supply-side continued to improve in all four countries but a declining power and access for demand-side actors in Uganda and Zambia reduced the overall domestic accountability. Domestic accountability appears to be robust in Malawi and Rwanda. The quantity of published budget documents improved in all countries but the quality of the provided information seems to become lower so that overall budget transparency is rather declining.

Regarding the **macroeconomic performance**, all countries experienced a short-term decline in GDP growth and an incline in the level of debt after the exit. For Zambia and Malawi these disruptions lasted longer because necessary fiscal adjustments were not conducted. The exit from GBS creates a macroeconomic shock because government revenues virtually disappear overnight and cannot be replaced at the same pace. This creates fiscal deficits, increases the levels of debt and ultimately creates substantial uncertainty, which discourages much-needed investments.

For **non-income poverty**, the data shows no negative development as far as the available data allows telling. This could be due to a time lag with which the effects manifest themselves or because the assumed theory of change is not adequate. A similar picture emerges for the performance in non-income poverty, which appears to be stable so far.

Box 2 Findings confirmed through process tracing

For Malawi and Zambia, the effects on public expenditure, PFM and domestic accountability could be confirmed through the process tracing methodology.

In the case of Malawi, the following causal mechanisms were confirmed:

- The exit from budget support had a negative effect on the level of social sector relevant public expenditure; the GBS effects were not robust against the exit.
- The momentum for PFM reform was sustained throughout the exit.
- Budget transparency and domestic accountability are improving since the exit.

In the case of Zambia, the following three causal mechanisms were confirmed:

- The sustained levels of public expenditure in social sectors are caused by election campaigns of two subsequent presidential elections.
- The exit had negative effects on former improvements in PFM, the effects have not been sustained.
- The exit had negative effects on both budget transparency and domestic accountability; the former positive budget support effects have not been sustained.

The following sections describe in detail the individual effects of the exit on budget support structures for policy dialogue, donor harmonization and on the impact areas of the intervention logic public expenditure, PFM, domestic accountability, service delivery, non-income poverty and macroeconomic performance.

5.2 Policy dialogue

Relevance

High-level policy dialogue between donors and the partner government is a key component of multi-donor GBS, and offers the possibility to exchange ideas and provide policy recommendations. By aggregating collective sector or policy expertise and by providing a forum to exchange ideas and advice between donors and partners, formalized policy dialogue can contribute to more informed and collectively

owned policy decisions and, ultimately, to better policy outcomes for partner governments (Koeberle *et al.*, 2006; Rajan *et al.*, 2015). At the same time, donors can adjust their activities according to the priorities discussed in the meetings.

According to the theory of change, budget support inputs complement each other, so policy dialogue has the potential to enhance the effectiveness of all other budget support inputs. As one of the ‘non-financial’ inputs of the aid modality, policy dialogue intends to increase the impact of the other budget support inputs by facilitating better-informed policy decision making. The quality of policy dialogue itself is also strengthened when combined with other non-financial inputs, specifically TA/CD (Lister, 2007). Krisch *et al.* (2015) find that policy dialogue of GBS is improved by the accompanying measures through two mechanisms: (a) accompanying measures can help to feed valuable information into the policy dialogue about the quality of public services and needs for support of government institutions; (b) by implementing accompanying measures, donor representatives gain country-specific knowledge and skills, which improves the quality of the policy dialogue (Krisch *et al.*, 2015).

Dialogue in the context of budget support programmes is typically held at two levels: political and technical. Overarching strategic issues are mainly discussed among high-level representatives of the partner government, donors and eventually CSOs. This level of policy dialogue allows donors to express concerns and to negotiate countermeasures with the government in case the conditionality is not met. This type of policy dialogue is often referred to as high-level political dialogue. Discussions on sector-specific reform progress are generally held at the technical level and are not unique to GBS as they can also be featured in other aid modalities, such as multi-donor trust funds.

Knowledge prior to exit evaluation

Despite the large number of reports on budget support, most sources do not assess the specific effects of policy dialogue as one input of the budget support package. Some sources, however, do acknowledge the particular effect of policy dialogue on the impact areas of the intervention logic. The evidence analysed in the evaluation synthesis (Orth *et al.*, 2017) has found positive effects of the policy dialogue on harmonizing donors’ approaches and increasing governments’ ownership, as the open dialogue facilitates consensus both among the donors and between donors and partners. Budget formulation and planning, accounting and budget transparency are other areas that improved primarily through non-financial inputs, among them the policy dialogue.

Main findings post-exit

The exit from multi-donor budget support has substantially weakened the policy dialogue between donors and partners. This means that the exchange of ideas at a high political level is strongly reduced or even completely absent, the quality of dialogue deteriorated, and the trust between donors and partner government has diminished.

As a result of the exit from GBS, the high-level policy dialogue was abandoned in all four case study countries and the information exchange between donors and partners on strategic topics became less frequent, less open and therefore less reliable. The evaluation team found that, as a consequence of abandoning the high-level political dialogue, the frequency and quality of high-level meetings was reduced and the discussion topics became mostly limited to technical aspects. Similarly, the data and information made available by partners became less reliable or was only provided in aggregated form, strongly limiting its usefulness. For example, expenditure data on an aggregate level reveals little about the poverty relevance of those expenses and undermines the possibilities of targeting specific population groups. On the other hand, the partners are struggling to meet the demands posed by the increased number of donor missions resulting from the surge in project-type interventions, which reflects the lack of harmonization among donors since the exit from GBS.

The collapse of dialogue structures at the political level shifted the dialogue – in some cases exclusively – to the technical level. With the shift to the technical level, dialogue between donors and partner governments was weakened and became less effective. **Government involvement in donors’ programmes**

consequently declined and at the same time, and the influence of donors on policies became minimal or unstructured. The opportunity for informed decision making through policy dialogue is thus further limited since the exit from GBS. PFM is one of the few (if not only) policy areas, where the common objectives of donors and partners to reduce fiduciary risks and improve the management of internal revenues contributed to stronger efforts in keeping dialogue structures alive.

SWGs were introduced in many countries long before the first budget support programmes started; nevertheless, the exit from GBS left its mark on these working groups. Although existing structures of SWGs remained largely intact after the exit, there is now a high level of fragmentation within them. The regularity of meetings has generally reduced and the participants operate in more isolation. This negatively affects the access to information for the SWGs and the ability to come to informed strategic decisions.

5.3 Harmonization among development partners and access to decision makers

Relevance

Harmonization is a key element in enhancing the effectiveness of development cooperation, which is supported by the joint funding and performance assessment offered through multi-donor budget support. According to the Paris Declaration on Aid Effectiveness (OECD DAC, 2005), harmonization is defined as the process through which donor countries coordinate, simplify procedures and share information to avoid duplication of their activities, projects and programmes. According to the theory of change for budget support, a better harmonized external assistance that is aligned to government policies and systems is one of the direct outputs of budget support, influenced by the three non-financial budget support inputs – policy dialogue (see section 5.1), conditionality and technical assistance/capacity development. Through the provision of an institutionalized framework for donor coordination, particularly budget support, policy dialogue is considered to contribute to harmonization even in cases of large and heterogeneous donor groups. The conditionality encased in the PAF is also expected to foster harmonization, facilitating a joint approach to assess the government’s performance through commonly agreed indicators (OECD DAC, 2012).

Knowledge prior to exit evaluation

Because of budget support, the harmonization among donors and between donors and partner governments usually improved. The evaluation team specifically observed positive developments regarding harmonization of aid policies and procedures. Yet, diverging priorities of donors, such as different preferences and a lack of common goals, sometimes undermined donors’ willingness to provide budget support disbursements in a harmonized way, which weakened the effectiveness of budget support on harmonization. Progress in harmonization is evident in the overall procedures for budget support disbursements, but less so regarding individual disbursement decisions and practices. For example, financial inputs were often disbursed following additional bilateral agreements, and breaches of these agreements led to unilateral decisions by individual donors to suspend tranches (Orth *et al.*, 2017).

Main findings post-exit

Since the exit from multi-donor GBS, donor harmonization declined across the studied countries as the donors’ approaches and programmes became more fragmented. Following the exit from GBS, harmonization suffered an abrupt degradation as donors mostly stopped joint funding approaches, in spite of the governments’ preference for budget support. One exception is PFM, an area where harmonization is still largely functional in all four countries, because partner governments regard PFM as a crucial tool to achieve good governance or as condition to receive continued donor support.

In addition to the higher fragmentation in donors’ aid portfolio and the lack of harmonization, donor’s access to decision makers within the partner governments changed. Bilateralization of aid weakens donor’s leverage to push for certain reforms. Government officials, however, claim that the access to decision makers did not decline (especially in Rwanda and Uganda). Across all case study countries, it is found

that leverage still exists for large donors (especially multilateral ones), while smaller donors tend to have less access.

5.4 Public expenditure

Relevance

The level and composition of public expenditure are core determinants of public policy in the recipient countries and reflect the strategic orientation of the national development. Budget support payments are only disbursed if certain budget allocation levels are met and thus promote spending in ‘social’ sectors. Through allocations and expenditure, the government decides which actors, sectors and programmes benefit from public resources (Faust *et al.*, 2011). The intervention logic assumes that the financial inputs of budget support increase the level of public spending and shift the allocation composition towards social sectors, particularly health and education. Budget support effects on the budget are assumed to be observable at three levels: (a) level of public expenditure; (b) allocation and composition of public expenditure; and (c) cost of funds and efficiency of public expenditure (Lister, 2007). For the current evaluation, the analysis focuses on the level and composition of public expenditure for health, education and agriculture.⁷⁴ Evidence and results on allocative efficiency are subsumed under the term composition of public spending.

Knowledge prior to exit evaluation

Budget support had positive effects on the level and composition of public expenditure in social sectors, even if the fiscal space remained limited. There were no effects of budget support on government’s revenue mobilization. In line with the effects expected by the intervention logic, budget support increased the level of public spending and triggered a shift of the allocation composition towards social sectors, particularly health and education. The evaluation synthesis findings confirm that budget support increased governments’ spending capacity. The assumed risk that the external funding would lead to a ‘crowding out’ effect and incentivize the government to neglect the mobilization of internal revenues did not materialize. On the contrary, slight improvements in the level of domestic revenue mobilization were reported in some cases, but those did not offer sufficient fiscal space to provide more or better services than before the era of budget support (Orth *et al.*, 2017)

While effects of financial budget support inputs are sufficiently covered by evidence, the evidence concerning the effect of non-financial inputs on government expenditure is insufficient. According to the assumption of the budget support intervention logic, policy dialogue, conditionality and TA/CD were supposed to enhance the recipient government’s capacity to increase domestic revenues. However, these effects are poorly covered in the evidence, hence the team could not formulate any generalizable conclusions on the expected positive influence of non-financial inputs (Orth *et al.*, 2017).

Main findings post-exit

The share of budget allocation for the health, education and agriculture sectors declined in most case study countries, reflecting policy changes of the governments giving less importance to these sectors and shifting focus to productive sectors (see Table 16).

Potential poverty-relevant sectors (i.e. health, education and agriculture) received a lower share of the total budget after the exit from GBS in the case study countries, except for Zambia. The relative and total level of public expenditure declined in most case study countries. Allocations changed in favour of productive sectors in the country’s quest to achieve economic growth or middle-income country status (Uganda, Rwanda) or due to high debt service obligations (Malawi). Donors tried to use conditionality to maintain prior levels of budget allocations, but without success. In Zambia, the level of public expenditure

⁷⁴ See the explanation for the choice of sectors in section 4.1.

for the three sectors increased but this development fell into a period of several elections, which made inflated social spending very attractive.

Table 16 Results for public expenditure at a glance by country

<i>Malawi</i>	<i>Rwanda</i>	<i>Uganda</i>	<i>Zambia</i>
<ul style="list-style-type: none"> - Public expenditure for health, education and agriculture declined in relative and absolute terms [PT+CCS] - Donors' conditionality was not sufficient to maintain a constant level of PE allocations [PT+CCS] 	<ul style="list-style-type: none"> - Public expenditure for education and agriculture slightly decreased after the GBS exit (not for health) [CCS] 	<ul style="list-style-type: none"> - Public expenditure for health, education and agriculture declined [CCS] - Productive sectors benefited from higher budget allocations [CCS] 	<ul style="list-style-type: none"> - Public expenditure for health, education and agriculture increased,⁷⁵ most probably due to an ongoing election cycle [PT+CCS]

Source: own

Note: *Process tracing methodology [PT]; Comparative case studies [CCS]*

A detailed table with all tests for each mechanism part including the assigned probabilities can be found in Annex 7.11 and 7.12.

5.5 Public financial management

Relevance

Public financial management (PFM) is a crucial tool for good governance as it helps to plan, direct and control financial resources and thereby enables an effective and efficient delivery of public services (OECD, 2011). According to the intervention logic of budget support, the modality is expected to induce strengthened PFM and procurement systems, including improvements in transparency, fiscal discipline, oversight, as well as allocative and operational efficiency. These improvements are critical both for the partner countries as well as for donors. Along with indicators related to poverty reduction or governance, the PAF also contained performance indicators related to the transparency⁷⁶ and effectiveness of PFM, underscoring the high relevance of improved PFM in the budget support context.

The non-financial inputs of budget support are expected to significantly contribute to reform the PFM system. In addition, the financial inputs should systemically influence the PFM, as budget support funds are channelled through the country's own budgetary system. Both financial and non-financial inputs are expected to reinforce each other in improving PFM and specifically the budget processes in beneficiary countries.

Knowledge prior to exit evaluation

One of the central findings of the evaluation synthesis on budget support (Orth *et al.*, 2017) is that the modality contributes substantially to improvements in PFM. A major reason for this contribution is that budget support triggered an increased focus of donors and governments alike on the capacity constraints of government performance in PFM. Overall, given that the commitment to PFM reform is part of the underlying principles for the provision of budget support, partner governments receiving budget support tend to push for reforms in PFM (Orth *et al.*, 2017).

GBS has had a positive effect especially on the formulation, planning, comprehensiveness and transparency of the budget. The most important factors in fostering PFM efforts are the non-financial inputs of

⁷⁵ However, for agriculture, not all expenditure of the FISP programme benefits poor households.

⁷⁶ Budget transparency is discussed in section 5.5 on domestic accountability.

budget support, in particular policy dialogue and TA/CD, as well as the institutional capacity and political will for PFM reform of the recipient government. The evidence points towards a positive effect on budget formulation and planning – primarily through TA/CD delivered to the partner government. Budgeting and accounting were also improved due to budget support. A few sources report negative effects, which are related to fiscal discipline, budget credibility and transparency (Orth *et al.*, 2017).

Main findings post-exit

The PFM efforts remained stable in two (Malawi, Rwanda) out of the four countries after the exit from multi-donor budget support. In Malawi, PFM gained fundamental importance in the aftermath of the Cashgate scandal. Both the government and the donor community agreed that PFM had to be in the centre of reform efforts after the scandal, and the government implemented a PFM Action Plan. Technical assistance in PFM is ongoing and supported by a policy dialogue; however, the sustainability of the implemented structures is questioned as the reform is primarily based on the demand from donors. CSOs further demanded action from the government side. In Rwanda, the performance in PFM remained stable after the exit from budget support due to strong ownership of the government for PFM reforms. The government particularly pushed reforms in debt management policy, processes and capacities for macroeconomic and fiscal forecasting, and established a Medium Term Macroeconomic Framework. However, improvements are still needed in areas like expenditure management, internal audit or fiscal decentralization.

In the other two countries (Uganda and Zambia) efforts in PFM declined. Although PFM reforms funding increased significantly in Uganda compared to funding during and after the exit, the increase did not translate into better performance. On the contrary, budget credibility and budget control deteriorated after the exit, probably due to the lack of performance assessment on those reforms. The end of GBS seems to have released external donor pressure on budget transparency, jeopardizing political will and backing for technical staff in government bodies. The absence of a policy dialogue further resulted in the exclusion of civil society from questions related to PFM.

With process tracing, it has been possible to test the hypothetical effect of the exit from multi-donor GBS on the achieved improvements in PFM during the budget support period in Malawi and Zambia. Malawi went through a shock after the Cashgate scandal, but both donors and government understood the central role the deficient PFM system had played in the scandal and continued reform efforts. Improvements have been achieved on the technical level (accounts reconciliation and introduction of a new IFMIS), while effective budget scrutiny is still negatively affected by the reporting of NAO through MoFEPD instead of directly to parliament. Zambia witnessed a deterioration in PFM reforms as the government lost the incentive to reform after the exit (see Table 17).

Table 17 Results for PFM reform at a glance by country

<i>Malawi</i>	<i>Rwanda</i>	<i>Uganda</i>	<i>Zambia</i>
PFM reform is sustainable (due to pressure to improve the PFM after the Cashgate scandal) [PT+CCS]	PFM performance remained stable [CCS]	PFM reform efforts suffered insignificant changes as a result of exit [CCS]	PFM efforts are further reduced (due to decline in donor leverage to push for PFM reforms) [PT+CCS]

Source: own

Note: Process tracing methodology [PT]; Comparative case studies [CCS]

A detailed table with all tests for each mechanism part including the assigned probabilities can be found in Annex 7.11 and 7.12.

5.6 Domestic accountability and budget transparency

Relevance

Good governance is a central objective of budget support and is promoted, among others, through domestic accountability and budget transparency. Both domestic accountability and budget transparency are objectives at the core of the intervention logic of budget support. Budget support is expected to positively affect the supply and demand-side of domestic accountability. Institutions on the supply-side of domestic accountability include government institutions such as ministries of finance, national statistic offices, and supreme audit institutions (SAI),⁷⁷ which are expected to supply (budget) information to the general public. Budget support is expected to contribute to the strengthening of these institutions, for example through improved predictability of revenues, control mechanisms via conditionality and capacity development. The demand-side of domestic accountability consists of actors like parliaments, civil society and media, who demand the information to hold the government to account. These actors could, for example, benefit from budget support through policy dialogue that invite them to participate in the budget process or through capacity development and technical assistance.

According to the theory of change, positive effects on domestic accountability are achieved through a combination of improved budget transparency, strengthened public sector institutions responsible for PFM, and strengthened linkages between government and oversight bodies. Budget transparency and functional PFM are necessary conditions for domestic accountability, because clarity about the use of public funds is needed to hold public representatives and officials accountable for effectiveness and efficiency and without finances being managed consistently and transparent, accountability cannot be enforced. A budget support intervention is expected to have a positive impact on human rights and democracy, to which domestic accountability can significantly contribute. Furthermore, good governance is not an end in itself but serves as a cross-cutting approach to increase the effectiveness of budget support to achieve the objectives of reducing poverty and promoting socioeconomic development.

Knowledge prior to exit evaluation

The overall finding that emerges from synthesizing the reviewed evidence is that **multi-donor budget support contributes significantly to improvements on the supply-side of domestic accountability (e.g. Ministry of Finance or Auditor General), while contributions to the demand-side of domestic accountability (e.g. parliament or CSO) are poorly covered and show mixed results (Orth *et al.*, 2017).**

The **supply-side of domestic accountability improved as a result of budget support – especially through improved PFM and the increased capacity and power of SAI.** The effects of budget support on the comprehensiveness and transparency of the budget are positive. As budget support is channelled through the national budget systems, it further strengthens and increases the relevance of these systems. The most notable changes the team identified for SAI through budget support are improvements regarding the quality and quantity of audit sources as well as their timely publication. However, the evidence suggests that achievements were limited to the technical level and did not affect the political procedures. Budget support was, for example, unable to promote solutions with regard to the follow-up of audits, the audit recommendations, the enforcement of prosecution, and the recovery of funds (Orth *et al.*, 2017).

Evidence regarding the demand-side of domestic accountability and democratic governance is scarce so that we were unable to draw any generalizable conclusions. The majority of studies indicate a weak positive effect of budget support strengthening the oversight function of parliaments, while a minority finds no effect. Results are even more inconsistent for the effect on the participation of CSO's in the budget process. They range from mildly positive to absent or even negative. Overall, budget support seems to perform below its potential to effectively support the demand-side of domestic accountability (Orth *et al.*, 2017).

⁷⁷ Note that SAI can be part of the supply as well as the demand-side and fulfil both functions depending on the institutional and legal status.

The majority of sources describe positive effects of budget support on governance, and few sources report absent effects. However, the results on governance are not clear-cut. Most sources only draw hesitant conclusions on the effects of budget support on good governance. Improvements are mostly attributed to stronger intra-government accountability structures thanks to the fact that budget support disbursements are allocated by the Ministry of Finance (Orth *et al.*, 2017).

Main findings post-exit

The case studies revealed that in two countries (Zambia and Uganda) there was a reduction of domestic accountability after the exit from multi-donor budget support, while in the other two (Malawi and Rwanda) domestic accountability increased after the exit from GBS (see Table 18). The supply-side of domestic accountability improved in all countries but the demand-side declined in Zambia and Uganda as CSO and parliament had less access to budget discussion after the exit. For Zambia and Malawi, the analysis went beyond a comparative case study design and tested the robustness of effects through process tracing. The drivers for improved or declined domestic accountability were external pressure or the lack thereof and ownership of the government.

Budget transparency improved in all four countries in terms of quantity; however, the quality of the published documents remains disputed. Even though transparency regarding the planned budget has been maintained on paper in Rwanda and Zambia, the quality and relevance of this information declined due to a lack of access to accurate budget expenditure data. In Malawi, the provided budget information is still insufficient but has been improving as a result of the exit and the Cashgate scandal. In Uganda, budget transparency is slightly improving if measured by the amount of budget statements published.

Table 18 Results for domestic accountability and budget transparency at a glance by country

<i>Malawi</i>	<i>Rwanda</i>	<i>Uganda</i>	<i>Zambia</i>
- Supply-side DA improved [PT+CCS]	- Supply-side DA improved [CCS]	- Supply-side DA improved [CCS]	- Supply-side DA improved [PT+CCS]
- Demand-side DA improved [PT+CCS]	- Demand-side DA improved [CCS]	- Demand-side DA declined [CCS]	- Demand-side DA declined [PT+CCS]
- BT improved formally but is still insufficient [PT+CCS]	- BT improved formally [CCS]	- BT improved formally [CCS]	- BT improved formally [PT+CCS]

Source: own

Note: Domestic accountability [DA]; Budget transparency [BT]; Process tracing methodology [PT]; Comparative case studies [CCS] A detailed table with all tests for each mechanism part including the assigned probabilities can be found in Annex 7.11 and 7.12.

The output of the NAO improved in Malawi since the exit and has been sustained in Rwanda.⁷⁸ In Zambia, the media and CSOs have lost influence, while in Malawi they have gained slightly in influence since the exit.

5.7 Service delivery

Relevance

Improvements in public service delivery are predicted outcomes of budget support programmes, because the provided financial means to the recipient government's budget are expected to be used to finance the expansion of service delivery in social sectors. Through its non-financial elements, budget support is also designed to influence sector policies and increase the quality of social services by strengthening the administrative capacities for service delivery.

⁷⁸ For Zambia and Rwanda the evidence does not allow any statements to be made regarding the NAO's output.

Knowledge prior to exit evaluation

A majority of sources provides evidence for a positive effect of budget support on the amount of public service delivered (Orth *et al.*, 2017). The evidence suggests that funds provided through budget support are predominantly used for investments or to cover running costs in the social sectors (e.g. salaries for health workers or teachers). Thus, funds from budget support are decisive in increasing service delivery, particularly in the education and health sectors. Yet, budget support does not prove to be effective at improving the quality of provided services or the administration responsible for delivering these services (Orth *et al.*, 2017).

Main findings post-exit

The results for service delivery are diverse and range from negative effects (Malawi and Zambia), over negligible effects (Uganda) to slightly positive effects (Rwanda). There is no established clear link between change in public expenditure to social sectors and service delivery. This leads to two possible conclusions: (a) the lack of good data led to skewed results, i.e. the link exists, but it is not measured by the data; (b) the link does not exist and service delivery is independent from public expenditure, for example because public expenditure during the budget support period was spent on activities that were not related to service delivery.

5.8 Non-income poverty

Relevance

Non-income poverty measures the relative poverty generated by the lack of access to services, goods and amenities. The level of income is not always a good proxy to measure poverty and the extent to which it allows to meet basic needs. Budget support is expected to influence non-income poverty through improved service delivery, whereas income poverty would be improved even more indirectly, e.g. through achieving a stable macroeconomic environment that allows higher economic growth. Since the impact of budget support on non-income poverty is indirect and can be influenced by other external factors, such as the economic performance, the attribution is challenging even in theory.

Knowledge prior to exit evaluation

Despite a considerable number of sources that address changes in non-income poverty, the attribution to budget support often remains implausible or disregarded. While most cases describe improvements in non-income poverty, attribution statements relating to the contribution of budget support to these trends is found in only a few studies. This is because evaluations face problems in plausibly linking changes in non-income poverty to budget support programmes. The evidence does not report on the negative effect of budget support on non-income poverty (Orth *et al.*, 2017), but also suggests that budget support does not reach its full potential in reducing non-income poverty. Possible explanations for failing to maximize budget support potential related to non-income poverty include donors' focus on quantitative targets to increase access to basic services, a lack of pro-poor policy orientation by the recipient government, dysfunctional accountability mechanisms, and the weakness of budget support to affect local systems for service delivery (Orth *et al.*, 2017).

Main findings post-exit

Available data would indicate that there has been no negative effect on non-income poverty in the four case study countries. The trend of continuous improvement of non-income poverty indicators has been robust throughout the exit. This means that indicators such as life expectancy, undernourishment or primary school completion have improved in all four countries during multi-donor budget support and continued on this trajectory after the exit. However, data limitations allow only very limited assessments as the latest data points are for 2015 – only two or three years after the exit from GBS. It seems likely that it might take more

time than that to measure the impacts of the exit. For example, it would appear that the decline of public expenditure for health will only manifest itself in life expectancy data with a time lag.

5.9 Macroeconomic performance

Relevance

Budget support is expected to have macroeconomic effects, particularly on economic growth. It is assumed that budget support allows the government to increase public spending or saving, thereby creating added demand for domestic products and/or facilitating a reduction in government borrowing. If the government spending is used for non-tradable goods, this may lead to an appreciation of the exchange rate (de Kemp *et al.*, 2011; Miyamoto *et al.*, 2016). The advantage of a higher exchange rate is that imports get cheaper; but the downside is that exports become more expensive. In the worst-case scenario, it could lead to a ‘Dutch disease’ effect – meaning that export products are becoming too expensive for other countries and the export sector production collapses. The interest rates could decline as the government can partly replace its borrowing by budget support and hence the demand for loans goes down, thereby decreasing the interest rate. Moreover, technical assistance components from the budget support programme focusing on macroeconomic and sector policy management are expected to have positive policy and institutional effects (OECD DAC, 2012). The expected outcome of progress in economic development due to budget support is a reduction of income poverty. However, this is the product of the entirety of government policies, decisions on spending and budget allocation; it is influenced by budget support only to a limited degree (Lawson *et al.*, 2003; OECD DAC, 2012).

Knowledge prior to exit evaluation

Overall, the existing evidence reports positive effects on macroeconomic performance. However, most sources agree that the evidence base is insufficient to clearly attribute improvements in macroeconomic performance to the presence of budget support programmes. The evidence attributes the reinforcement of already existing macroeconomic stability to the presence of budget support, as it includes more international partners in the macroeconomic debate, and fosters fiscal discipline by the provision of on-budget funds. There appears to be growth of GDP during the GBS period in many countries, but a clear attribution to budget support programmes is not possible. Some sources suggest that economic growth is boosted, because budget support funds enable increases in government spending without a simultaneous increase in domestic borrowing. Alternative explanations for economic growth are debt relief (e.g. Malawi 2006), high domestic commodity prices (e.g. copper prices for Zambia) and IMF programmes (Lawson *et al.*, 2016; Leiderer and Faust, 2012). Budget support has a positive effect on private sector development, especially on the business environment, although the strength of the effect varies strongly between countries (Orth *et al.*, 2017).

Main findings post-exit

In all four case study countries, the GDP growth declined in the short run after the exit and the level of debt increased to offset the shortfall in multi-donor GBS payments (see Table 19 and Figure 70). It appears that the macroeconomic situation deteriorated right after the exit but recovered quickly when adequate measures were taken. Figure 71 shows that with exception of Malawi the annual GDP growth rates fell significantly with the exit and are below or only slightly above the sub-Saharan average in the year following the exit. While in previous and subsequent years (e.g. 2010 and 2015) the GDP growth rates are much higher than the regional average. This demonstrates that GDP growth reductions that followed the exit are not simply a reflection of global or regional economic cycles. However, the deterioration should not be solely attributed to the exit and must be analysed within the broader economic context, as typically the donor exit occurred in response to a deterioration of government commitment to the donor’s agenda. For example, a continued lack of commitment to fiscal austerity led to GBS suspensions in some cases (e.g. the World Bank in 2012 in Uganda), but can itself cause macroeconomic instability. The common response to

the exit from GBS was to increase borrowing to substitute the budget support payments. Only Zambia expanded external financing whereas the other three expanded domestic borrowing. Such an increase in borrowing has the inherent risk of crowding out domestic investments and compromising the economic growth even further.

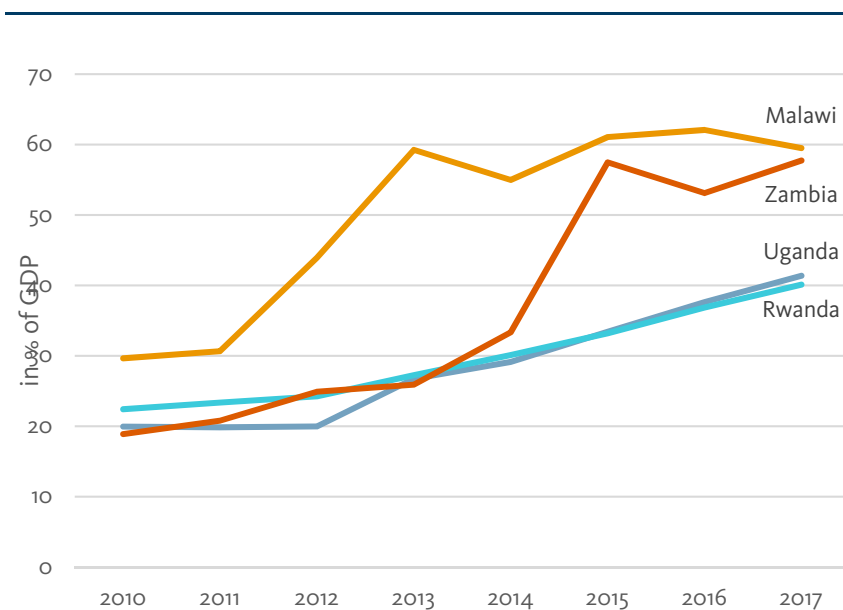
Table 19 Results for macroeconomic performance at a glance by country

Macroeconomic development following the exit from GBS	Country
GDP declined	Zambia, Uganda, Rwanda
Debt increased	Malawi (mostly domestic), Zambia (mostly external), Uganda (mostly domestic), Rwanda (mostly external)
Fiscal deficits increased	Zambia, Malawi
Exchange rate deterioration	Malawi, Uganda (only shortly)
Current Account deficit increased	Malawi, Zambia, Rwanda
Fiscal adjustment	Uganda, Rwanda

Source: own

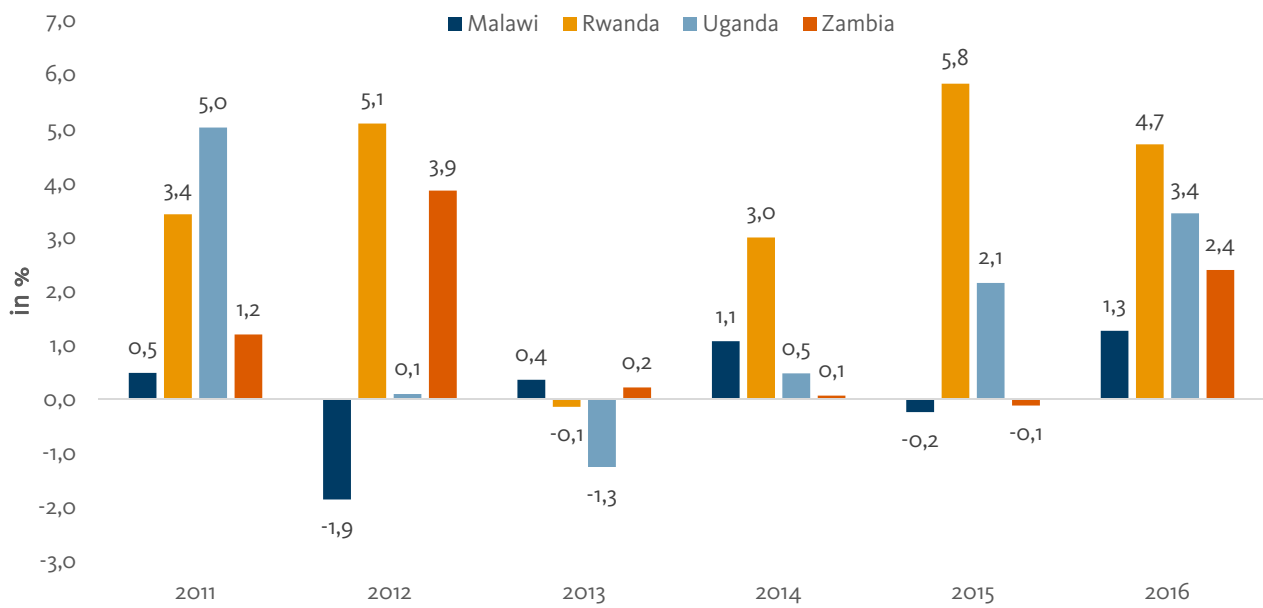
In two countries (Rwanda and Uganda), economic development has recovered quickly, probably because fiscal adjustments were undertaken. The other two countries (Malawi and Zambia) did not manage to keep the deficits low, probably because the financial situation was already strained prior to the exit owing to high debt levels. For Malawi, the financial gap created by the shortfall in funding was too large to be filled with other revenues or to be met by fiscal adjustments alone. In Zambia, it seems that missing external pressure and scrutiny on the budget led to a widening of the deficit. Rwanda and Uganda, on the other hand, undertook fiscal adjustments, which contributed to a quick recovery and less instability.

Figure 70 Increasing government debt in all four countries (in percentage of GDP)



Source: sub-Saharan Africa Regional Economic Outlook Data (IMF, 2017f)

Figure 71 Difference in percentage points between countries' GDP growth and sub-Saharan average GDP growth by year



Source: World Development Indicators (World Bank, 2017c)

Note: GDP growth rate of Sub-Sahara Africa is ex-high-income countries

6 CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

This evaluation finds that the broad and mostly unplanned exit from multi-donor GBS in the four case study countries undid most of the positive effects associated with the provision of budget support in those countries. The findings also show that the exit from multi-donor GBS and the associated changes in aid portfolios have implications that reach far beyond the mere suspension or reprogramming of financial support for partner governments. The exit negatively affects the overall relationship between donors and partner governments as well as between donors and thus the overall quality and effectiveness of development cooperation in those countries.

The evaluation observes a substantial deterioration of donor coordination and harmonization across the four case studies, with an almost full reversal to levels of aid fragmentation that most development experts on both sides of the aid relation had believed to be a thing of the past. Stand-alone project-type funding is the prevailing modality in bilateral aid portfolios. Joint funding, in turn, is rare and limited to a few selected sectors and programmes, despite budget support still being the preferred modality for partner governments to receive external support for their development strategies and policies. The negative externalities and costs of high fragmentation of aid make it more difficult for donors to address systematic and broader governance issues.

As a direct consequence of this, there was a substantial decrease in donors' influence on partner governments' strategic policy formulation and reform agendas through dialogue and conditionality. Not only did the high-level political dialogue collapse after the exit, the quality of the technical dialogue also decreased in response to the exit.

The diminished involvement of donors in policy planning and monitoring, in combination with the absence of a framework for mutual accountability since the exit, translates into a more limited reform commitment of partner governments. Large providers of external assistance still have some leverage, but the extent of this varies substantially and hinges primarily on the importance of the donors' financial contributions or the donors' central role in the provision of services, for example in health.⁷⁹

Budget support on average only accounted for 10% of ODA across all DAC donor countries. Yet it achieved positive effects in a number of relevant development areas (including public expenditure, PFM, service delivery quantity and the supply-side of domestic accountability). Furthermore, it managed to create formalized structures for policy dialogue, and established a framework for mutual accountability (Orth *et al.*, 2017), which other aid modalities that account for much larger shares of ODA have not been able to achieve in a similar way and at comparable cost. With the exit from GBS, although the total level of aid receipts remained constant in most countries, the established structures largely disappeared and the majority of positive achievements of budget support were negatively affected or even reversed. Donors' aid portfolios are more fragmented since the exit from GBS and apparently do not provide sufficient incentive to maintain similar formalized structures for policy dialogue and mutual accountability on both sides of the aid relation.

These developments are at odds with recently adopted agendas, including the Fourth High Level Forum on Aid Effectiveness (OECD DAC, 2011), the Sustainable Development Goals (SDG 17) (UN, 2017) and the Addis Ababa Action Agenda on financing the SDGs (UN, 2015), underscore the need of inclusive partnerships, enhanced ownership of partner governments and stronger alignment of strategies. Individual donor strategies, such as Germany's 'Marshall Plan with Africa', also acknowledge the need to 'develop a common, international strategy and take a coordinated approach' (BMZ, 2017, p. 13).

It seems highly unlikely that donors will be able to live up to the ambitious goals and principles formulated in these agendas unless they jointly re-engage in integrated approaches to development cooperation that combine financial and non-financial elements of cooperation, dialogue and mutual accountability in a similar or evolved fashion to multi-donor GBS.

⁷⁹ Only in the case of highly aid-dependent Malawi did the possibility of a relaunch of GBS provide sufficient incentives to push for reforms. In the other three countries, reform efforts continued, but were not attributable to donor influence.

6.2 Assessment of budget support against DAC criteria for evaluating development assistance

Relevance

The relevance of outputs and outcomes achieved by budget support is high. Budget support programmes managed to strengthen the alignment between donor programmes and partner government strategies, to increase social sector spending and access to social service delivery, and to improve PFM. Therefore, the modality successfully addressed important development goals and bottlenecks in receiving countries. The analysis of the early exit from GBS further emphasizes the relevance of the modality. Since the exit, policy constraints and bottlenecks are more difficult to address.

Effectiveness

Evidence on the effectiveness of budget support clearly shows that the modality is effective in a number of developmental areas, including the implementation of aid effectiveness principles, increases in social public expenditure and improvements in PFM (Orth *et al.* 2017). The attribution of these positive effects to budget support is further underlined by the fact that many of these positive budget support effects were not robust against the exit from the modality: in fact, most effects were negatively affected by the exit.

Efficiency

While there is no absolute measure for the efficiency of aid modalities, indications are that multi-donor GBS has been able to achieve substantial developmental gains at comparably low cost. Budget support was never used predominantly or even exclusively in the recipient countries' aid portfolio – averaging about 7% to 22% of ODA – whereas project-type interventions always constituted the lion's share in countries' aid portfolios. Yet, this relatively small amount of funding was able to achieve important systemic changes in partner countries and in partner relations, for example, through better PFM or policy dialogue and established formalized structures. The exit from GBS in contrast led to a collapse of crucial dialogue structures, which had allowed donors and partners to jointly address poverty-reduction strategies and development plans, thereby increasing overall development effectiveness.

Impact

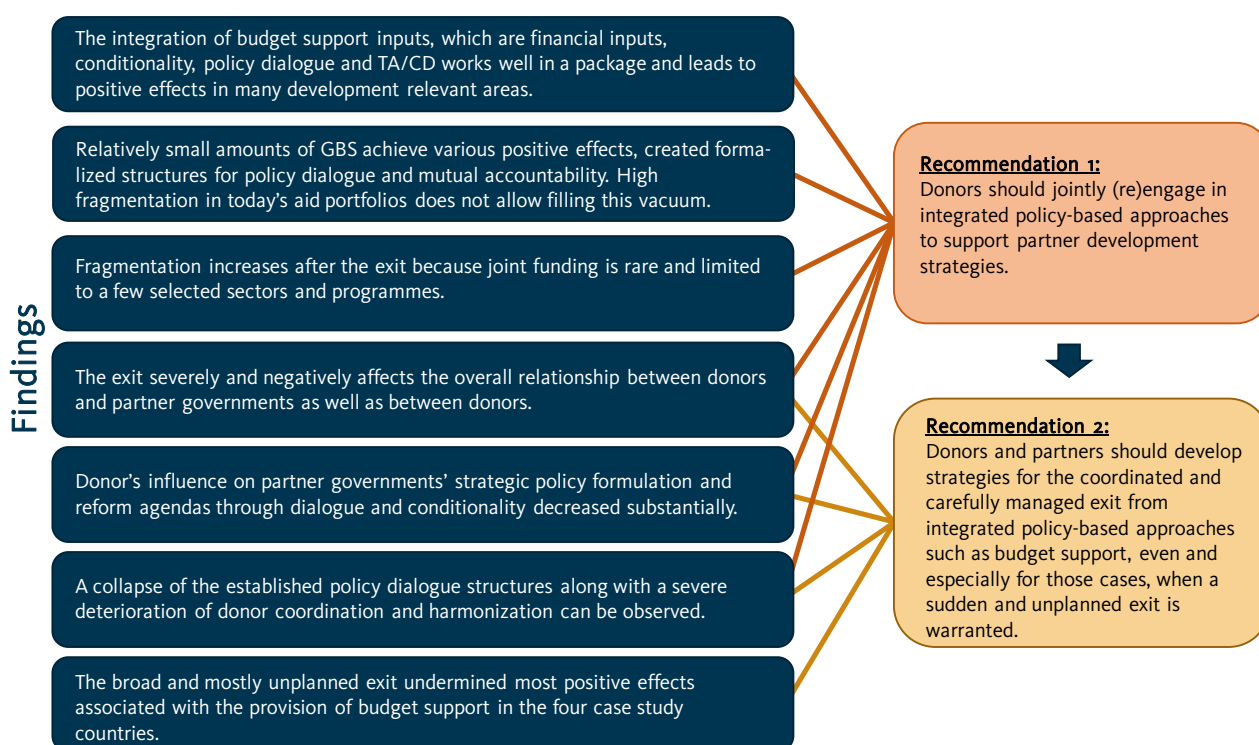
Evidence clearly shows that budget support leads to increased public spending in social sectors, improves the quality of public sector financial management, strengthens the supply-side of domestic accountability and improves access to public services (Orth *et al.*, 2017). The exit from the modality, on the other hand, led to a reduction in social sector allocation in the case study countries. It thus seems safe to conclude that budget support triggered these positive outcome changes. Although there is no reliable evidence that these changes ultimately led to improvements in living conditions for the poor and/or the general population in budget support receiving countries, it would not seem unreasonable to assume that they at the very least helped to create necessary preconditions for such improvements at impact level.

Sustainability

A concluding assessment of the sustainability of budget support effects is not possible. Yet, considering that budget support programmes had systemic effects and that some systemic effects remained after the exit from the modality (for example in PFM), it seems plausible that the modality can in fact provide for sustainable positive effects. The findings on the lack of robustness in budget support effects show that an uncoordinated, unplanned exit can clearly jeopardize the sustainability.

6.3 Recommendations

Figure 72 From findings to recommendations



Source: own

Recommendation 1

The evaluation finds strongly increased fragmentation of aid in the wake of the exit from multi-donor GBS in all four case studies as a consequence of a general shift in focus away from joint funding approaches to (mostly stand-alone) project-type interventions. This leads to high transaction costs, less coordination and coherence among donor programmes, and to the weakening of institutions in developing countries. The negative externalities and costs of high fragmentation of aid make it difficult for donors to create ownership of the partner government and to address systematic and broader governance issues (see Figure 72).

Therefore, this evaluation recommends:

- 1 Bilateral and multilateral donors should jointly (re)engage in integrated policy-based approaches to support partner development strategies.**

Bilateral and multilateral donors should (re)engage in joint approaches that support the national development plans and poverty-reduction strategies of the partner government to ensure ownership and better alignment of donors' programmes to these strategies, thus being policy based. The approaches should combine the whole spectrum of instruments in an integrated approach.

The global agenda 2030 as well as individual donors' strategies, such as Germany's Marshall Plan with Africa, that focus on coordination and concerted action will have to rely on such joint policy-based approaches to be successfully implemented.

- 1a Bilateral and multilateral donors should design such approaches around the integrated provision of funding, technical assistance, policy dialogue and mutual accountability that ensure jointly coordinated implementation.**

The findings from this exit evaluation support the existing evidence that the integrated mix of inputs as is provided through budget support lead to important developmental outcomes. Future aid modalities should thus integrate at least the following inputs:

- A formalized dialogue.
- Targeted technical assistance and capacity development that addresses the main bottlenecks in partner systems that hinder the effective formulation and implementation of policies and reforms. Technical assistance and policy dialogue generate important synergies. On one hand, working with partner governments on the bottlenecks generates important information that feeds into the joint policy dialogue, and on the other hand, the policy dialogue strengthens the targeting and acceptance by partners of the technical assistance activities.
- A framework for mutual accountability that serves to enhance donors' coordination in decision making. At the same time, this framework allows the partner government to predict the volume of disbursements and assume its responsibilities.

Furthermore, any such integrated approach should be based on the principles of harmonization, coordination, and joint planning and implementation.

1b In order to improve the design of such integrated approaches and its' individual components, donors and partners should invest in closing evidence gaps regarding the effectiveness of individual inputs.

While evidence strongly suggests that the described 'package' of inputs works to produce important development outcomes, there is less understanding how exactly the individual inputs work together and, therefore, how to improve this interaction. Future empirical work should thus focus on the analysis of causal mechanisms for specific inputs so that integrated policy-based approaches can be designed to be even more effective than previous GBS programmes.

Recommendation 2

This evaluation shows that the uncoordinated and sudden retreat of donors from GBS negatively affects, or in the extreme even reverses, the majority of positive achievements. It also shows that the negative repercussions of an unplanned and uncoordinated exit extend beyond immediate budget support effects and affect the quality of development cooperation on a much broader level (see Figure 72). An exit strategy is needed to avoid such negative repercussions in the case of future integrated policy-based approaches.

2 Bilateral and multilateral donors together with partner governments should develop strategies for the coordinated and carefully managed exit from integrated policy-based approaches such as budget support, even and especially for those cases when a sudden and unplanned exit is warranted, e.g. due to a breach of underlying principles.

The goal of an exit strategy should be to structure a coordinated exit, ensure sustainable programme effects even after the programme ends, and minimize negative repercussions of the exit. Such an exit should be organized as a coordinated withdrawal of donors and without diluting the political signal intended with the exit. Established processes and structures, most importantly the policy dialogue and the arrangements for mutual accountability, should be continued.

2a Throughout the exit from integrated policy-based approaches, bilateral and multilateral donors and partner governments should continue the policy dialogue.

Early communication, consultation and involvement of stakeholders – most importantly of the partner government – is crucial throughout the exit to ensure a coordinated retreat of donors. The policy dialogue was formally tied to policy-based modalities such as budget support, but content-wise and on a conceptual level, the dialogue can take place independently of the modality. It could serve to discuss aims and indicators of the national development strategy.

However, without integrated policy-based approaches such as budget support, the connectional element in the policy and technical dialogue is lacking. Bilateral and multilateral donors, possibly by nominating a lead donor, have to ensure that dialogue at the policy and technical levels continues in a coordinated manner.

2b Throughout the exit from integrated policy-based approaches, bilateral and multilateral donors and partner governments should ensure that arrangements for mutual accountability remain in place.

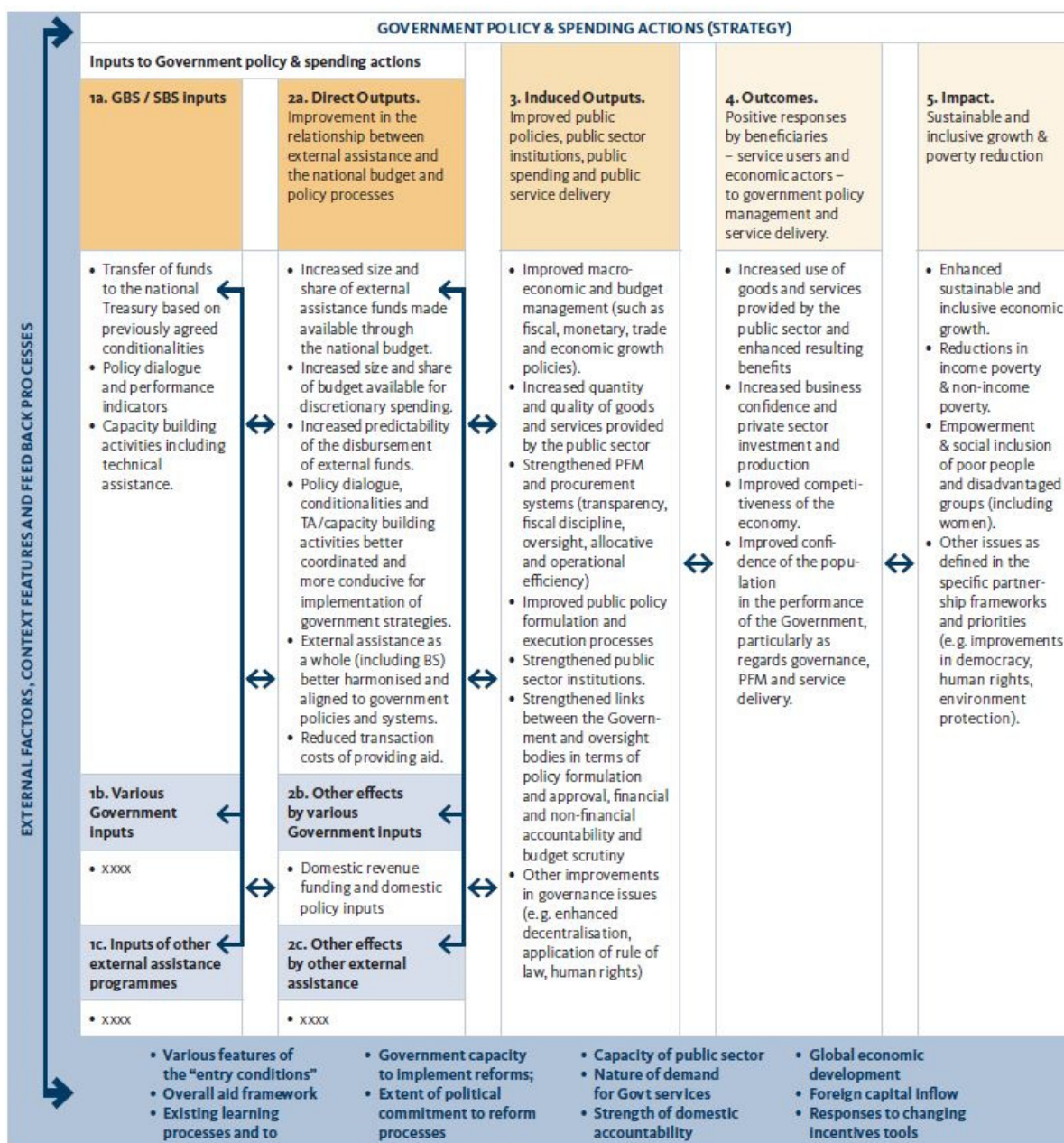
To minimize negative repercussions of the exit, the arrangements for mutual accountability (e.g. a Performance Assessment Framework) help to define responsibilities and targets throughout the exit.

2c Bilateral and multilateral donors should be prepared to adopt immediate, short-term measures to deal with acute shortfalls in indispensable spending, particularly in the social sectors.

Where the sudden exit from budget support (e.g. because of a breach of underlying principles) or similar modalities means that the partner government would in the short run not be able to fund crucial expenditures, such as for medication and electricity in hospitals, bilateral and multilateral donors should be prepared to adopt immediate measures to counterbalance these shortfalls in indispensable spending. Through effective earmarking this should be done in a way as not to dilute the political signal intended to be given with the exit. This might imply that donors would need to jointly build compensation funds (either jointly at the country level or across countries) from which to fund such expenditure, not necessarily through government channels.

7 ANNEX

7.1 The comprehensive evaluation framework for budget support



Source: OECD DAC, 2012, p. 9

7.2 Glossary of budget support terminology

<i>Term</i>	<i>Definition</i>
<i>General budget support</i>	<p>“GBS is a modality to finance a partner country’s budget through a transfer of resources from an external financing agency to the partner government’s national treasury. The funds thus transferred are managed in accordance with the recipient’s budgetary procedures. “ (OECD DAC, 2006a, p. 26)</p> <p>GBS is provided as a non-earmarked contribution and is subject to specific disbursement conditions (OECD DAC, 2006a).</p>
<i>Multi-Donor Budget Support (MDBS)</i>	<p>Several donors jointly provide budget support disbursements and agree on common conditionality (Koeberle et al., 2006, p. 69).</p>
<i>Sector budget support (SBS)</i>	<p>Modality supporting the implementation of a sector development programme. The preconditions for payment and capacity development target sector specific policy subject and budget allocation priorities (OECD DAC, 2012).</p> <p>Compared to GBS, the funds are earmarked for the utilisation in a specific sector (Williamson and Dom, 2010).</p>
<i>Underlying principles</i>	<p>Principles such as macroeconomic stability, commitment of the government to implement national development plans and reforms in PFM, and adherence to democratic principles and human rights that need to be fulfilled to introduce or continue a BS programme in a country, while the breach of one or more principles can lead to the termination of BS (Faust et al., 2011).</p>
<i>Technical Assistance (TA) / Capacity Development (CD)</i>	<p>TA is provided to facilitate the implementation of development projects. It is applied in both bilateral projects and complex programmes. CD means building the ability of countries to manage their own development. The aim is to increase individual and institutional abilities to perform functions, solve problems and achieve objectives (OECD, 2018b).</p> <p>As part of the BS package, TA/CD is being employed to strengthen the capacities of the government and other institutions in the partner country and thereby increase the effectiveness and efficiency of the funds used (OECD DAC, 2006b).</p>

<i>Term</i>	<i>Definition</i>
<i>Performance assessment framework (PAF)</i>	Negotiated set of indicators measuring government performance in areas such as the implementation of sector strategies and PFM reforms. Donors link their disbursements in different ways to these indicators (as either fixed tranche based on overall PAF-performance or as floating or performance tranches linked to individual PAF indicators) (OECD DAC, 2006b).
<i>High Level Political Dialogue</i>	Strategic issues are discussed in high-level political dialogue between high-level representatives of the partner government and representatives of embassies. The aim is to create a joint debate between donors and the partner government on policy reforms and other strategic issues (Molenaers et al., 2010).

7.3 Evaluation matrix

Level	Detailed questions	Assessment criteria/ indicators	Sources	Data collection tools
Inputs	How does ending GBS change donors' aid portfolios?	<ul style="list-style-type: none"> ▪ Total aid volume: programme vs project-type interventions ▪ Sector allocation ▪ Continuation of former aid modalities to BS? ▪ From GBS to SBS? ▪ New financing instruments? 	<ul style="list-style-type: none"> ▪ Germany: BMZ ▪ EC: Directorate-General for International Cooperation and Development (DG DEVCO)? ▪ Other important bilateral donors: UK 	Quantitative analysis
Direct outputs	How does the partner demand for and utilization of TA/CD related to the objectives of BS develop?	<ul style="list-style-type: none"> ▪ TA/CD relating to supply-side of PFM (e.g. MoF, Auditor General, tax authorities) ▪ Demand-side of PFM line ministries and institutions that received SBS 	Interviews with <ul style="list-style-type: none"> ▪ Donor representatives ▪ Implementing agencies ▪ Partner representatives 	<ul style="list-style-type: none"> ▪ Interview guideline ▪ Standardized questions to be rated
Direct outputs	To what extent are dialogue forums of BS still functional?	<ul style="list-style-type: none"> ▪ Different levels of policy dialogue (technical/sectoral, multi-donor budget support (MDBS) group, higher level political dialogue) still existing ▪ Participants (donor/ partner side) ▪ Frequency of meetings ▪ Topics discussed 	Interviews with <ul style="list-style-type: none"> ▪ Donor representatives ▪ Implementing agencies ▪ Partner representatives 	<ul style="list-style-type: none"> ▪ Interview guideline ▪ Mini focus groups (former and current representatives)
Direct outputs	Have other dialogue forums replaced BS dialogue?	<ul style="list-style-type: none"> ▪ Other dialogue forums ▪ Participants (donor/ partner side) ▪ Frequency of meetings ▪ Topics discussed 	Interviews with <ul style="list-style-type: none"> ▪ Donor representatives ▪ Implementing agencies ▪ Partner representatives 	<ul style="list-style-type: none"> ▪ Interview guideline ▪ Mini focus groups (former and current representatives)
Direct outputs	How has donor access to decision makers on partner side changed?	Number and content of meetings with: <ul style="list-style-type: none"> ▪ Politicians at central, sectoral and decentral level ▪ Officials at central, sectoral and decentral level 	Interviews with <ul style="list-style-type: none"> ▪ Donor representatives ▪ Implementing agencies ▪ Partner representatives 	<ul style="list-style-type: none"> ▪ Interview guideline ▪ Standardized questions to be rated
Direct outputs	To what extent are programmes/ projects harmonized among donors?	<ul style="list-style-type: none"> ▪ Comparison during/ after ending BS ▪ Overview about portfolio of other donors ▪ (joint) needs assessment ▪ (joint) programming 	Interviews with <ul style="list-style-type: none"> ▪ Donor representatives ▪ Implementing agencies ▪ Partner representatives 	<ul style="list-style-type: none"> ▪ Interview guideline ▪ Standardized questions to be rated
Direct outputs	How has conditionality developed?	Comparison during/ after ending BS <ul style="list-style-type: none"> ▪ Number of (PAF) indicators ▪ Specification ▪ Harmonization among donors 	Interviews with <ul style="list-style-type: none"> ▪ Donor representatives ▪ Implementing agencies ▪ Partner representatives 	<ul style="list-style-type: none"> ▪ Interview guideline ▪ Mini focus groups ▪ Standardized questions to be rated

Level	Detailed questions	Assessment criteria/ indicators	Sources	Data collection tools
Direct outputs	Have transaction costs changed?	<ul style="list-style-type: none"> ▪ Comparison during/ after ending BS ▪ No. of staff working on BS/ programme administration ▪ Banking and other costs 	Interviews with <ul style="list-style-type: none"> ▪ Donor representatives ▪ Implementing agencies ▪ Partner representatives 	<ul style="list-style-type: none"> ▪ Interview guideline ▪ Mini focus groups ▪ Standardized questions to be rated
Induced outputs	Has the commitment of the partner government to implement reforms changed?	<ul style="list-style-type: none"> ▪ Number and quality of reform plans ▪ Pace of implementation 	<ul style="list-style-type: none"> ▪ Reform plans and implementation reports ▪ Interviews with donor and partner representatives 	<ul style="list-style-type: none"> ▪ Interview guideline ▪ Standardized questions to be rated
Induced outputs	Has the budget allocation for social sectors changed?	Comparison during/ after ending BS, e.g. <ul style="list-style-type: none"> ▪ Education ▪ Health ▪ Agriculture/ rural development 	<ul style="list-style-type: none"> ▪ MDBS evaluations ▪ Information on government websites ▪ Others? 	(To be subcontracted to national expert)
Induced outputs	Have BS effects related to improved budget transparency (BT), budget management and overall PFM been sustained?	Comparison during/ after ending BS, e.g. <ul style="list-style-type: none"> ▪ Budget transparency ▪ Supply of budget information ▪ Revenue generation ▪ Procurement 	<ul style="list-style-type: none"> ▪ MDBS evaluations ▪ Information on government websites ▪ Open Budget Index ▪ Interviews 	(To be subcontracted to national expert)
Induced outputs	Have BS effects related to improved domestic accountability been sustained?	Comparison during/ after ending BS, e.g. <ul style="list-style-type: none"> ▪ Number of stakeholders (supreme audit institutions, parliament, media, civil society) demanding and using budget information ▪ Quality of public discourse ▪ Number of corruption cases being exposed and disciplinary measures taken 	Interviews with <ul style="list-style-type: none"> ▪ Donor representatives ▪ Implementing agencies ▪ Partner representatives 	Interview guideline
Outcome	Have BS outcomes related to improved public administration and public service delivery been sustained?	Comparison during/ after ending BS, e.g. <ul style="list-style-type: none"> ▪ access to public services 	<ul style="list-style-type: none"> ▪ Government and international statistics ▪ Interviews 	(To be subcontracted to national expert)
Outcome	Have BS outcomes related to reduction of non-income poverty been sustained?	Comparison during/ after ending BS, e.g. <ul style="list-style-type: none"> ▪ Utilization of public services 	<ul style="list-style-type: none"> ▪ Government and international statistics ▪ Interviews 	(To be subcontracted to national expert)
Outcome	Have BS outcomes related to improved macroeconomic performance been sustained?	Comparison during/ after ending BS Macroeconomic indicators, e.g. <ul style="list-style-type: none"> ▪ debt 	<ul style="list-style-type: none"> ▪ Government and international statistics ▪ Interviews 	(To be subcontracted to national expert)

Source: own

7.4 Classification of the sampled countries by income

Low-income economies (\$1,005 or less)	Lower-middle-income economies (\$1,006 to \$3,955)	Upper-middle-income economies (\$3,956 to \$12,235)
Burkina Faso	Ghana	South Africa
Burundi	Morocco	
Malawi	Nicaragua	
Mali	Tunisia	
Mozambique	Vietnam	
Rwanda	Zambia	
Tanzania		
Uganda		

Source: World Bank Data Help Desk (World Bank, 2017f)

7.5 Background information on the sample selection: preconditions and selection criteria

Fulfilment of preconditions

- **Precondition 1:** Provision of GBS for at least three consecutive years
- **Precondition 2:** Provision of GBS by multiple donors⁸⁰
- **Precondition 3:** Involvement of Germany in the GBS provision
- **Precondition 4:** Termination and/or sustained suspension⁸¹ of GBS by several donors, including Germany and the EC
- **Precondition 5:** Absence of severe armed conflict jeopardizing development results

Among the 15 sampled countries, precondition 1 is not fulfilled in the case of South Africa, as GBS disbursements were limited to two years. For the remaining 14 countries, precondition 1 is met. The duration of GBS disbursements varies between five years in Nicaragua (2006-2011) (OECD, 2018a) and 13 years in Uganda/Rwanda. (Bogetic *et al.*, 2015; KfW, 2014; MINECOFIN, 2010, 2011, 2012; MoFPED, 2006, 2008, 2009, 2010, 2011, 2012, 2014b; OECD, 2017a; Purcell *et al.*, 2006).

The number of donors providing GBS to a country varies between 5 (Burundi) and 21 (Mozambique) (OECD, 2018a). Only in the cases of Morocco (GBS disbursement only by the EC) and Tunisia (GBS disbursement by Italy, EC and United Arab Emirates), precondition 2 is not met.

Morocco, Tunisia and Burundi did not receive GBS from Germany (precondition 3). To all other remaining countries, Germany provided GBS. Most of the 11 countries (with the exception of Nicaragua) additionally received indirect GBS payments from Germany through programmes of the EC.

For precondition 4, the evaluation team considers not only terminations of budget support, but also sustained suspensions over more than one budget cycle affecting the implementation of development policies and reform progress in a similar way as terminations. Suspensions and terminations of GBS, including the required termination of GBS disbursements by Germany and the EC occurred in 9 of the 11 remaining countries (Ghana, Mali, Malawi, Nicaragua, Rwanda, Tanzania, Uganda, Vietnam and Zambia) (Molenaers *et al.*,

⁸⁰ Multiple donors are defined as a group of at least five donors providing GBS in three years. The number of donors per year may vary.

⁸¹ The term 'sustained suspension' in this evaluation is defined as a suspension of more than one budget support cycle (usually a fiscal year), so that suspensions can be differentiated from single delays in payment. A minimum amount suspended is not required.

2016; OECD, 2018a). In Burkina Faso, Germany has provided GBS since 2005 in a 2016 still ongoing programme (BMZ, 2016a) and in Mozambique, the EC is resuming GBS disbursements for the period until 2020 (EC, 2015b). Precondition 5 is thus not met in Burkina Faso and Mozambique.

Among the nine remaining countries, one country faced severe armed conflicts within the country, which led to the ending of GBS disbursements. In Mali, a military coup took place in 2012. The weakening of the nation state created a temporary phase of limited statehood in the North of Mali that was used by rebel groups to claim territory (World Bank, 2017g).

Ratings of the selection criteria

- **Selection criterion 1:** Time period covered by GBS evaluation⁸²
- **Selection criterion 2:** Provision of a substantial amount of GBS⁸³
- **Selection criterion 3:** Provision of a substantial amount of GBS from Germany and the EC
- **Selection criterion 4:** Significance of suspensions and terminations of GBS

Regarding the coverage of the budget support evaluation (selection criterion 1), Tanzania (Booth *et al.*, 2005; Lawson *et al.*, 2013) and Uganda (Bogetic *et al.*, 2015; Lister *et al.*, 2006) are rated highest because for those countries two budget support evaluations exist, covering the time span 1994-2004 and from 2005/2006 to 2012/2013. For Zambia, rated second best, the evaluation covers the years 2005-2010 (de Kemp *et al.*, 2011).

To rate if a substantial amount of GBS was provided (selection criterion 2), the total GBS payments for one country were measured as a percentage of government expenditure in that country during the GBS period (as far as data was available). The highest average was reached in Rwanda, followed by Malawi and Zambia (OECD, 2018a; World Bank, 2017c) (see Figure 73 and Figure 74).

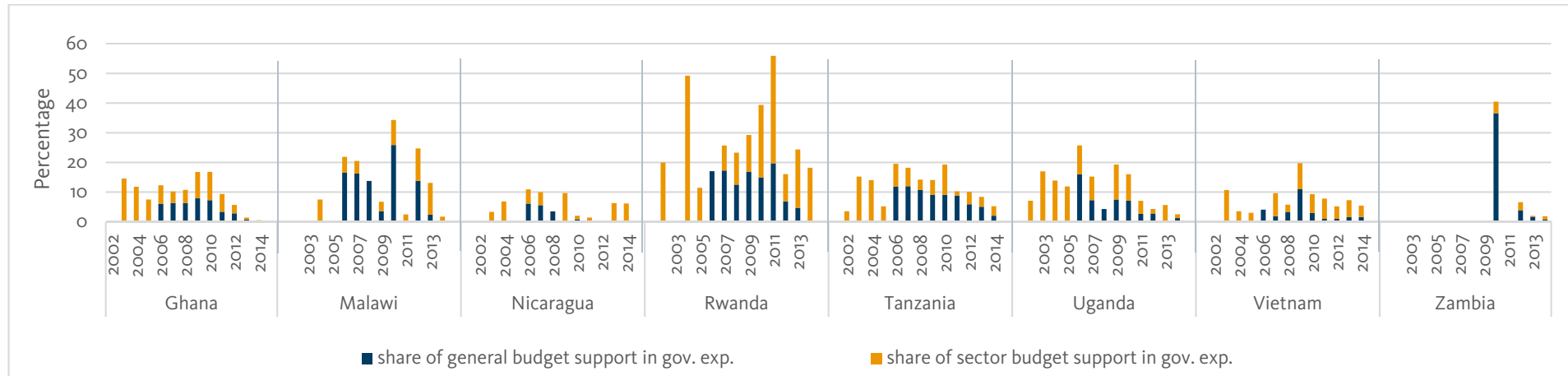
Selection criterion 3 was measured as the share of GBS paid by each Germany and the EC in relation to total GBS. The highest shares were in Uganda, Rwanda and Zambia (OECD, 2018a) (see Table 20).

Regarding selection criterion 4, the most significant financial cutback was observed in Zambia, where all donors terminated GBS by the end of 2014 (BMZ, 2016b). Also in Nicaragua, Malawi, Rwanda and Uganda, the suspension of GBS led to significant cutbacks, for example in the form of a widening fiscal gap in Malawi (Claussen *et al.*, 2006).

⁸² Again, the methodology of the evaluation must be specifically designed for evaluating budget support and the methodology must have been jointly agreed in a multi-donor setting.

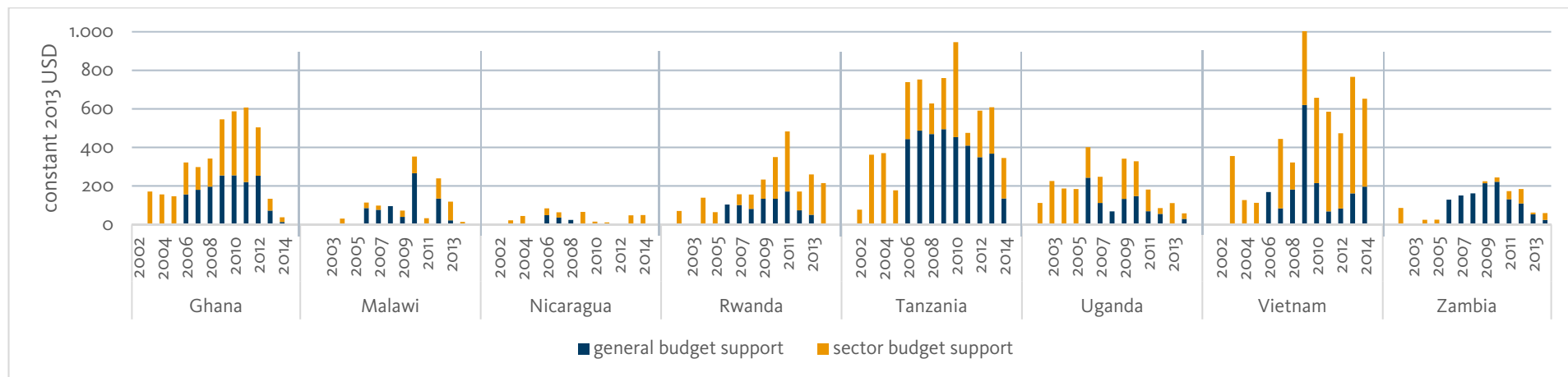
⁸³ Measured as total GBS payments in percentage of government expenditure in the respective country for the years in which GBS was disbursed.

Figure 73 Share of general and SBS disbursements by all donors in relation to general government expenditure



Source: CRS & World Development Indicators (OECD, 2018a; World Bank, 2017c)

Figure 74 Total general and SBS disbursed by all donors



Source: CRS (OECD, 2018a)

Table 20 Share of total GBS and SBS by Germany, EC and largest donor for selection criteria 3

	Number of BS donors	German BS as share of total BS in country GBS SBS		BS by EC as share of total BS in country GBS SBS		Share of largest donor GBS in country		Share of largest donor SBS in country	
Ghana	12	8%	-	17%	1%	UK	31%	World Bank	75%
Malawi	8	4%	-	46%	5%	EU	46%	World Bank	60%
Nicaragua	14	8%	-	-	0%	Netherlands	34%	World Bank	56%
Rwanda	9	6%	1%	37%	11%	UK	43%	World Bank	68%
Tanzania	18	1%	2%	14%	2%	UK	33%	World Bank	83%
Uganda	12	7%	0%	35%	1%	UK	50%	World Bank	87%
Vietnam	17	2%	-	7%	2%	Japan	54%	World Bank	80%
Zambia	12	6%	-	31%	9%	EU	31%	World Bank	68%

Source: CRS (OECD, 2018a)

7.6 Interview guidelines

Interviews with development partners		
Level	Evaluation question	Detailed questions
Introduction		<ul style="list-style-type: none"> ▪ What was the main reason behind ending GBS? ▪ What are key consequences of ending GBS programmes?
Inputs	<i>How does ending GBS change your aid portfolio?</i>	<ul style="list-style-type: none"> ▪ How did the size and share of aid change after ending GBS? ▪ Was it possible to reprogram the GBS funds? Into which programmes? ▪ Which finance modalities are proposed/ used to substitute GBS? <ul style="list-style-type: none"> ○ Programme or project-type intervention? <ul style="list-style-type: none"> • Is government ownership experienced as stronger or weaker? • Is transparency experienced as stronger or weaker? ○ Which elements of the GBS package (performance tranche, policy dialogue, underlying principles) have been integrated into the modalities? <p>Why? How does it work?</p>
Direct outputs	<i>How does the partner demand for and utilization of TA/ CD related to the objectives of BS develop?</i>	<ul style="list-style-type: none"> ▪ Are TA/CD related to budget support still in place? <ul style="list-style-type: none"> ○ How do they perform? ○ Does ending GBS change the partner demand for TA/ CD? <ul style="list-style-type: none"> • Increase/ decrease? • Different focus? • Is the demand for TA/CD dependent on the aid modality used? • Hypothesis: capacity building is rather supply (demand) oriented?
Direct outputs	<i>To what extent are dialogue forums of BS still functional?</i>	<ul style="list-style-type: none"> ▪ Which dialogue forums of BS still exist? <ul style="list-style-type: none"> ○ Technical/sectoral policy dialogue ○ MDDBS group ○ Higher level political dialogue <ul style="list-style-type: none"> • Who are the participants on donor and partner side? • How frequently are meetings taking place? • Which topics are on the agenda?
Direct outputs	<i>Have other dialogue forums replaced BS dialogue?</i>	<ul style="list-style-type: none"> ▪ Are there new dialogue forums replacing BS dialogue forums? <ul style="list-style-type: none"> ○ What are key characteristics and topics of the new dialogue forum? ○ Who are the participants from donor and partner side? ○ How frequently is the dialogue taking place? <ul style="list-style-type: none"> • Hypothesis: Compared to dialogue forums of BS, what is the new dialogue forum missing (adding)?

Interviews with development partners		
Level	Evaluation question	Detailed questions
Direct outputs	<i>How has donor access to decision makers on partner side changed?</i>	<ul style="list-style-type: none"> ▪ Did the access to decision makers on partner side change after ending GBS? ▪ Number of meetings with politicians/officials at central, sectoral and decentral level? ▪ Content of the meetings? <ul style="list-style-type: none"> ○ Experience with effectiveness/ results of these meetings?
Direct outputs	<i>To what extent are programmes/ projects harmonized among donors?</i>	<ul style="list-style-type: none"> ▪ Was there a harmonization of donor activities and funding while GBS was disbursed? <ul style="list-style-type: none"> ○ Joint needs assessment ○ Joint programming ○ Joint implementation ○ Goals of the National Development Plan ○ How did the harmonization of donor activities develop after ending GBS? <ul style="list-style-type: none"> • Joint needs assessment • Joint programming • Joint implementation • Goals of the National Development Plan
Direct outputs	<i>How has conditionality developed?</i>	<ul style="list-style-type: none"> ▪ How was conditionality (e.g. PAF indicators) shaped while disbursing GBS? <ul style="list-style-type: none"> ○ To what extent is conditionality used after ending GBS? <ul style="list-style-type: none"> • Did the specification of conditionality change? • Is conditionality harmonized among donors?
Direct outputs	<i>Have transaction costs changed?</i>	<ul style="list-style-type: none"> ▪ How many members of staff were working on GBS? <ul style="list-style-type: none"> ○ On programme administration? ○ Banking cost? ○ How many members of staff are working on programme administration after ending BS? <ul style="list-style-type: none"> • Banking cost? • Hypothesis: consequence of ending GBS: higher (lower) administrative burden on the government
Induced outputs	<i>Has the commitment of the partner government to implement reforms changed?</i>	<ul style="list-style-type: none"> ▪ What is the progress of reforms being implemented while GBS was disbursed? ▪ Have new reforms been planned since ending GBS? <ul style="list-style-type: none"> ○ How many reforms were planned since ending GBS? ○ How fast were the planned reforms implemented? ○ Did the quality of the reforms planned and implemented change since ending GBS?
Induced outputs	<i>Have BS effects related to improved domestic accountability been sustained?</i>	<ul style="list-style-type: none"> ▪ Were there effects of GBS on improved domestic accountability? <ul style="list-style-type: none"> ○ Which ones? <ul style="list-style-type: none"> • How many corruption cases were exposed? <ul style="list-style-type: none"> - How many disciplinary measures were taken? • How did number of stakeholders demanding and using budget information change after ending GBS?

Interviews with development partners

Level	Evaluation question	Detailed questions
		<ul style="list-style-type: none"> • How did the quality of public discourse change? • How many corruption cases have been exposed since ending GBS? <ul style="list-style-type: none"> - How many disciplinary measures have been taken since ending GBS? • How did the staff capacity to oversee public spending in the OAG change after ending GBS?
Induced outputs	<i>Has the budget allocation for social sectors changed?</i>	<ul style="list-style-type: none"> ▪ Has the budget allocation for social sectors changed? <ol style="list-style-type: none"> 1. e.g. education, health, agriculture and rural development
Induced outputs	<i>Have BS effects related to improved BT, budget management and overall PFM been sustained?</i>	<ul style="list-style-type: none"> ▪ What were the effects of GBS on PFM? <ul style="list-style-type: none"> ○ Budget transparency ○ Supply of budget information ○ Revenue generation ○ Fiscal discipline ○ Improvement PEFA indicators <ul style="list-style-type: none"> • Have effects been sustained after ending GBS?
Outcome	<i>Have BS outcomes related to improved public administration and public service delivery been sustained?</i>	<ul style="list-style-type: none"> ▪ Have BS outcomes related to improved public administration and public service delivery been sustained? (Comparison during/after ending GBS)
Outcome	<i>Have BS outcomes related to reduction of non-income poverty been sustained?</i>	<ul style="list-style-type: none"> ▪ Have BS outcomes related to reduction of non-income poverty been sustained? (Comparison during/after ending GBS)
Outcome	<i>Have BS outcomes related to improved macroeconomic performance been sustained?</i>	<ul style="list-style-type: none"> ▪ Have BS outcomes related to improved macroeconomic performance been sustained? (Comparison during/after ending GBS)
Additional question regarding the German financial aid (for mini focus groups)		<p>Good financial governance programme:</p> <ul style="list-style-type: none"> ▪ Have BS effects related to improved PFM been sustained? (Comparison during/after ending GBS) <ol style="list-style-type: none"> 2. Budget transparency 3. Revenue generation 4. Account system 5. Public sector accounting 6. External audit 7. Supply of budget information 8. Social accountability 9. Benefits, rights and obligations for civil society

Interview with partners (supply-side of domestic accountability)		
Level	Evaluation question	Detailed questions
Introduction		<ol style="list-style-type: none"> 1. What was the main reason behind ending GBS? 2. What are key consequences of ending GBS programmes?
Inputs	<i>How does ending GBS change your aid portfolio?</i>	<ol style="list-style-type: none"> 3. Which finance modalities have been proposed to substitute GBS? <ul style="list-style-type: none"> ▪ What is your preference? ▪ Can you participate in the decision making? <ul style="list-style-type: none"> ○ How? ○ Is ownership experienced as stronger or weaker? ○ Is transparency experienced as stronger or weaker?
Direct outputs	<i>How does the partner demand for and utilization of TA/ CD related to the objectives of BS develop?</i>	<ol style="list-style-type: none"> 4. Are TA/CD related to budget support still in place? <ul style="list-style-type: none"> ▪ How do they perform? ▪ Does ending GBS change the demand for TA/ CD? <ul style="list-style-type: none"> ○ Increase/ decrease? ○ Different focus? ○ Is the demand for TA/CD dependent on the aid modality used? ○ Hypothesis: capacity building is rather supply (demand) oriented
Direct outputs	<i>To what extent are dialogue forums of BS still functional?</i>	<ol style="list-style-type: none"> 5. Which dialogue forums of BS still exist? <ul style="list-style-type: none"> ▪ Technical/sectoral policy dialogue ▪ MDBS group ▪ Higher level political dialogue <ul style="list-style-type: none"> ○ Who are the participants on donor and partner side? ○ How frequently are meetings taking place? ○ Which topics are on the agenda?
Direct outputs	<i>Have other dialogue forums replaced BS dialogue?</i>	<ol style="list-style-type: none"> 6. Are there new dialogue forums replacing BS dialogue forums? <ul style="list-style-type: none"> ▪ What are key characteristics and topics of the new dialogue forum? ▪ Who are the participants from donor and partner side? ▪ How frequently is the dialogue taking place? <ul style="list-style-type: none"> ○ Hypothesis: Compared to dialogue forums of BS, what is the new dialogue forum missing (adding)?

Interview with partners (supply-side of domestic accountability)

Level	Evaluation question	Detailed questions
Direct outputs	<i>To what extent are programmes/projects harmonized among donors?</i>	<p>7. Was there a harmonization of donor activities and funding while GBS was disbursed?</p> <ul style="list-style-type: none"> ▪ Joint needs assessment ▪ Joint programming ▪ Joint implementation ▪ Goals of the National Development Plan ▪ How did the harmonization of donor activities develop after ending GBS? <ul style="list-style-type: none"> ○ Joint needs assessment ○ Joint programming ○ Joint implementation ○ Goals of the National Development Plan ○ Consequences on predictability of aid flows
Direct outputs	<i>How has conditionality developed?</i>	<p>8. How was conditionality (e.g. PAF indicators) shaped while GBS was disbursed?</p> <ul style="list-style-type: none"> ▪ To what extent is conditionality used after ending GBS? <ul style="list-style-type: none"> ○ Did the specification of conditionality change? ○ Is conditionality harmonized among donors?
Direct outputs	<i>Have transaction costs changed?</i>	<p>9. How many members of staff were working on GBS?</p> <ul style="list-style-type: none"> ▪ On programme administration? <ul style="list-style-type: none"> ○ Banking cost? ○ How many members of staff are working on programme administration after ending BS? <ul style="list-style-type: none"> • Banking cost? • Hypothesis: consequence of ending GBS: higher (lower) administrative burden on the government.
Induced outputs	<i>Has the commitment of the partner government to implement reforms changed?</i>	<p>10. What is the progress of reforms being implemented while GBS was disbursed?</p> <p>11. Have new reforms been planned since ending GBS?</p> <ul style="list-style-type: none"> ▪ How many reforms were planned since ending GBS? ▪ How fast were the planned reforms implemented? ▪ Did the quality of the reforms planned and implemented change since ending GBS?
Induced outputs	<i>Have BS effects related to improved domestic accountability been sustained?</i>	<p>12. Were there effects of GBS on improved domestic accountability?</p> <ul style="list-style-type: none"> ▪ Which ones? <ul style="list-style-type: none"> ○ How many corruption cases were exposed? <ul style="list-style-type: none"> • How many disciplinary measures were taken? ○ How did the number of stakeholders demanding and using budget information change after ending GBS? ○ How did the quality of public discourse change? ○ How many corruption cases have been exposed since ending GBS? <ul style="list-style-type: none"> • How many disciplinary measures have been taken since ending GBS?

Interview with partners (supply-side of domestic accountability)

Level	Evaluation question	Detailed questions
		<ul style="list-style-type: none"> ○ How did the capacity of staff in the OAG to oversee public spending change after ending GBS?
Induced outputs	<i>Has the budget allocation for social sectors changed?</i>	13. Has the budget allocation for social sectors changed? (subcontracted) <ul style="list-style-type: none"> ▪ e.g. education, health, agriculture and rural development ▪ Public expenditure patterns consistent with poverty-reduction priorities?
Induced outputs	<i>Have BS effects related to improved BT, budget management and overall PFM been sustained?</i>	14. What were the effects of GBS on PFM? (subcontracted) <ul style="list-style-type: none"> ▪ Budget transparency ▪ Supply of budget information ▪ Revenue generation ▪ Fiscal discipline ▪ Improvement PEFA indicators ▪ Have effects been sustained after ending GBS?
Outcome	<i>Have BS outcomes related to improved public administration and public service delivery been sustained?</i>	15. Have BS outcomes related to improved public administration and public service delivery been sustained? (Comparison during/after ending GBS) (subcontracted)
Outcome	<i>Have BS outcomes related to reduction of non-income poverty been sustained?</i>	16. Have BS outcomes related to reduction of non-income poverty been sustained? (Comparison during/after ending GBS) (subcontracted)
Outcome	<i>Have BS outcomes related to improved macroeconomic performance been sustained?</i>	17. Have BS outcomes related to improved macroeconomic performance been sustained? (Comparison during/after ending GBS) (subcontracted)

Interview with partners (demand-side of domestic accountability)		
Level	Evaluation question	Detailed questions
Introduction		<ol style="list-style-type: none"> 1. What is the main reason behind ending GBS? 2. What are key consequences of ending GBS programmes?
Inputs	<i>How does ending GBS change your aid portfolio?</i>	<ol style="list-style-type: none"> 3. Which finance modalities are proposed to substitute GBS? <ul style="list-style-type: none"> ▪ What is your preference? ▪ Can you participate in the decision making? <ul style="list-style-type: none"> ○ How? ▪ Is ownership experienced as stronger or weaker? ▪ Is transparency experienced as stronger or weaker?
Direct outputs	<i>How does the partner demand for and utilization of TA/ CD related to the objectives of BS develop?</i>	<ol style="list-style-type: none"> 4. Are TA/CD related to budget support still in place? <ul style="list-style-type: none"> ▪ How do they perform? ▪ Does ending GBS change the demand for TA/ CD? <ol style="list-style-type: none"> i. Increase/ decrease? ii. Different focus? iii. Is the demand for TA/CD dependent on the aid modality used? iv. Hypothesis: capacity building is rather supply (demand) oriented
Direct outputs	<i>To what extent are dialogue forums of BS still functional?</i>	<ol style="list-style-type: none"> 5. Which dialogue forums of BS still exist? <ul style="list-style-type: none"> ▪ Technical/sectoral policy dialogue ▪ MDBS group ▪ Higher level political dialogue <ol style="list-style-type: none"> i. Who are the participants on donor and partner side? ii. How frequently are they taking place? iii. Which topics are on the agenda?
Direct outputs	<i>Have other dialogue forums replaced BS dialogue?</i>	<ol style="list-style-type: none"> 6. Are there new dialogue forums replacing BS dialogue forums? <ul style="list-style-type: none"> ▪ What are key characteristics and topics of the new dialogue forum? ▪ Who are the participants from donor and partner side? ▪ How frequently is the dialogue taking place? <ul style="list-style-type: none"> ○ Hypothesis: Compared to dialogue forums of BS, what is the new dialogue forum missing (adding)?
Induced outputs	<i>Has the commitment of the partner government to implement reforms changed?</i>	<ol style="list-style-type: none"> 7. What is the progress of reforms being implemented while GBS was disbursed? 8. Have new reforms been planned since ending GBS? <ul style="list-style-type: none"> ▪ How many reforms were planned since ending GBS? ▪ How fast were the planned reforms implemented? ▪ Did the quality of the reforms planned and implemented change since ending GBS?

Induced outputs	<i>Have BS effects related to improved domestic accountability been sustained?</i>	<p>9. Were there effects of GBS on improved domestic accountability?</p> <ul style="list-style-type: none"> ▪ Which ones? <ul style="list-style-type: none"> ○ How many corruption cases were exposed? <ul style="list-style-type: none"> • How many disciplinary measures were taken? ○ How did the number of stakeholders demanding and using budget information change after ending GBS? ○ How did the quality of public discourse change? ○ How many corruption cases have been exposed since ending GBS? <ul style="list-style-type: none"> • How many disciplinary measures have been taken since ending GBS? ○ How did the capacity of staff in the OAG to oversee public spending change after ending GBS?
Induced outputs	<i>Has the budget allocation for social sectors changed?</i>	<p>10. Has the budget allocation into social sectors changed? <i>10. e.g. education, health, agriculture and rural development</i></p>
Induced outputs	<i>Have BS effects related to improved BT, budget management and overall PFM been sustained?</i>	<p>11. What were the effects of GBS on PFM?</p> <ul style="list-style-type: none"> ▪ Budget transparency ▪ Supply of budget information ▪ Revenue generation ▪ Fiscal discipline ▪ Improvement PEFA indicators ▪ Have effects been sustained after ending GBS?
Outcome	<i>Have BS outcomes related to improved public administration and public service delivery been sustained?</i>	<p>12. Have BS outcomes related to improved public administration and public service delivery been sustained? (Comparison during/after ending GBS)</p>
Outcome	<i>Have BS outcomes related to reduction of non-income poverty been sustained?</i>	<p>13. Have BS outcomes related to reduction of non-income poverty been sustained? (Comparison during/after ending GBS)</p>

Source: own

7.7 List of interview partners

Malawi		
German Cooperation		
Name	Institution	Position
Thomas Staiger	Embassy of the Federal Republic of Germany Lilongwe	Counsellor, Head of Development Cooperation
Jens Petersen-Thumser	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	Team Leader Public Financial and Economic Management Project
Liam Sanyang	GIZ	Consultant for budget implementation in MoFEPD
Lamulo Nsanja	KfW	Senior Country Economist
Other development partners		
Name	Institution	Position
Bilateral		
Lucy Hayes	DFID	Senior Governance Advisor
Bjarne Garden	Royal Norwegian Embassy	Minister Counsellor/Deputy Head of Mission, Head of Development Cooperation
EU and multilateral		
Lluis Navarro	EU Delegation to the Republic of Malawi	Head of Cooperation
Janet Mortoo	EU Delegation to the Republic of Malawi	Programme Manager – ECOPA Section
Richard Record	World Bank	Senior Country Economist
Priscilla F. Kandoole	World Bank	Country Economist
Daniel Domelov	World Bank	Ex. PFM Expert
Andrew Mwaba	AfDB	Resident Representative
Fenwick D. Kamanga	AfDB	Principal Governance Expert
Jack Joo Kyung Ree	IMF	Resident Representative
Government and parliament		
Name	Institution	Position
Mike Majabula	GoM	Director – Human Resources Division
Seodi White	Office of the President and Cabinet	Chief Director Public Sector Reforms
Mr Matambo	Ministry of Finance	Accountant General
Peter K. Simbani	Ministry of Finance, Economic Planning and Development	Acting Chief Director – Department of Economic Planning and Development
Nations Msowoya	Ministry of Finance, Economic Planning and Development – National Authorizing Office Support Unit	Head of Unit
Stephenson D.L. Kamphasa	National Audit Office	Auditor General
Charles Maseya	National Audit Office	Assistant Auditor General
Hon. Rhino Moyo Chiphiko	Parliament	Chairperson – Budget & Finance Committee
Fred Kamwani	Parliament	Clerk – Public Accounts Committee
Hon. Alekeni Menyani	Parliament	Chair – Public Accounts Committee
Sector ministries		
Emma Jipson Mabvumbe	Ministry of Health	Director of Planning & Policy Development
Civil society		
Name	Institution	Position

Jeff J. Kabondo	African Institute of Corporate Citizenship (AICC)	Programme Manager – Governance
Ronald Mtonga	Council for NGOs in Malawi (CONGOMA)	Executive Director
Benedicto Kondowe	Civil Society Education Coalition (CSEC)	Executive Director
Macdonald Mayaar Mphangwe	Malawi Health Equity Network (MHEN)	Governance Project Officer
George M. Jobe	Malawi Health Equity Network (MHEN)	Executive Director
Carsterns George Mulume	Episcopal Conference of Malawi	Director of Social Development

Academia and consultants

Name	Institution	Position
Dr Naomi Ngwira		Former academia, government official
A/Pro Winford Masanjala	University of Malawi	A/Professor
Sunga Kalembe-Nyirenda		Consultant

Rwanda

German Cooperation

Name	Institution	Position
Dr Peter Woeste	Embassy of the Federal Republic of Germany Kigali	Ambassador
Stefan Sckell	Embassy of the Federal Republic of Germany Kigali	Head of Development Cooperation
Mandy Hupfer	Embassy of the Federal Republic of Germany Kigali	
Bodo Immink	GIZ	Country Director
Markus Bär	KfW	Director KfW Office Kigali

Other development partners

Name	Institution	Position
Bilateral		
Kenny Osborne	DFID	Deputy Head of Office
Johan Debar	Embassy of the Kingdom of Belgium	Minister Counsellor
Pieter Dorst	Embassy of the Kingdom of the Netherlands	Head of Development Cooperation
Mikael Boström	Embassy of Sweden	Counsellor/ Head of Development Cooperation
Giancarlo de Picciotto	Swiss Cooperation Office	Regional Head of International Cooperation

EU and multilateral

Emanuel-José Amaral	EU Delegation to Rwanda	Team Leader Governance and PFM
Lénaïc Georgelin	EU Delegation to Rwanda	Team Leader Infrastructure
Aghassi Mkrtychyan	World Bank	Country Manager; Country Economist
Silas Udahemuka	World Bank	Human Development Specialist – Social Protection and Labour
Mulle Chikoko	AfDB	Chief Socio-Economist

Government and parliament

Name	Institution	Position
Marcel Mukeshimana	MinEcoFin	Accountant General
Leonard Rugwabiza Minega	MinEcoFin	Chief Economist
Jonathan Nzayikorera	MinEcoFin	Acting Director General – National Budget

Tom Butera	MinEcoFin	External Resources Mobilization Expert
Prof. Thomas Kigabo Rusuhuzwa	National Bank of Rwanda – Monetary Policy and Research	Chief Economist and Director General
Hon. Constance Mukayuhi Rwaka	Parliament	Chair Committee on National Budget and Patrimony
Sector ministries		
Samuel Mulindwa	Ministry of Education	Permanent Secretary
Yves Bernard Ningabire	Ministry of Local Government	Director of Planning, Monitoring and Evaluation
Civil society		
Name	Institution	Position
Apollinaire Mupiganyi	Transparency International	Executive Director
Edward Kalisa	Rwanda Governance Board (RGB)	Secretary General
Josephine Irene Uwamariya	Action Aid Rwanda	Country Director
James Butare	Action Aid Rwanda	Head of Programmes and Policy
Stephen Rodriques	UNDP	Country Director
Uganda		
German Cooperation		
Name	Institution	Position
Udo Weber	Embassy of the Federal Republic of Germany Kampala	Head of Cooperation
Sandy Richter	GIZ	Programme Leader Transparency and Accountability
Oliver Jünger	KfW	Head of Country Office
Ann-Christin Damm	KfW	Junior PFM Consultant
Other development partners		
Name	Institution	Position
Bilateral		
Paul Mullard	DFID	Senior Economic Advisor
Adrian Green	DFID	Head – Growth & Economic Management
Susanne Spets	Embassy of Sweden	Deputy Head of Mission, Head of Cooperation
Sarah B. Mayanja	USAID	Education Specialist
Frank Kirwan	Irish Embassy	Head of Cooperation
Peter Michael Oumo	Irish Aid	Economic Advisor
Hans-Peter van der Woude	Embassy of the Kingdom of the Netherlands	Head of Cooperation
Simon Gill	Overseas Development Institute (ODI)	Project Director – Budget Strengthening Initiative
Sebastian Wolf	ODI	Research Fellow – Budget Strengthening Initiative
Tilna Pasanen	ODI	Research Fellow
Majbrit Holm Jakobsen	Embassy of Denmark	Deputy Head of Mission
Cate Najjuma	Embassy of Denmark	Senior Programme Advisor – Economist
Wouter Cools	Embassy of the Kingdom of Belgium	Development Cooperation Attaché
EU and multilateral		
Thomas Tiedemann	EU Delegation to the Republic of Uganda	Head of Section – Governance and Human Rights
Dr Christian Raitz von Frenzt	EU Delegation to the Republic of Uganda	Operations Advisor – Governance (Accountability)
Cédrique Merell	EU Delegation to the Republic of Uganda	Director Economic Growth Section

Enock Nyorekwa Twinoburyo	EU Delegation to the Republic of Uganda	Infrastructure Economist – Economic Growth Section
Asger Hallberg Borg	World Bank	Senior Country Officer

Government and parliament

Name	Institution	Position
John Charles Ogol	MoFPED – Development Assistance and Regional Cooperation Department	AG. Commissioner
Azizah Nabitalo	MoFPED – Development Assistance and Regional Cooperation Department	
Kenneth Mugambe	MoFPED	Director Budget
Rosetti Nabbumba Nayenga	MoFPED	Deputy Head – Budget Monitoring and Accountability Unit, Technical Monitoring Officer Agriculture
Allan Gitta	MoFPED	Finance Manager – Budget Monitoring and Accountability Unit
Amos Lugolobi	Parliament	Chair Person Budget Committee

Sector ministries and FINMAP

Richard Kabagambe-Tureebe	Ministry of Health	Acting Assistant Commissioner (Budget and Finance) Planning Department
Johnson Mutesigensi	MoFPED	Coordinator of the Financial Management and Accountability Programme (FINMAP)
Nick Roberts	FINMAP Basket Mechanism	Implementation Consultant

Civil society

Name	Institution	Position
Juliet Akelo	Uganda Debt Network	Policy Officer
Christine Byiringiro	Uganda Debt Network	Programme Officer
Courtney Sandro	Uganda Debt Network	Policy Officer
Richard Ssewakiryanga	Uganda National NGO Forum	Executive Director

Academia and consultants

Name	Institution	Position
Willy Kagarura		Consultant

Zambia

German Cooperation

Name	Institution	Position
Bernd Finke	Embassy of the Federal Republic of Germany Lusaka	Ambassador
Dr Frank Hofmann	Embassy of the Federal Republic of Germany Lusaka	Counsellor, Head of Development Cooperation
Christian Zoll	Embassy of the Federal Republic of Germany Lusaka	Counsellor
Thomas Schaef	GIZ	Country Director
Doris Nückel	GIZ	Programme Leader and Senior Advisor to MoF
Martin W. Phillips	GIZ	Senior Budget Advisor
Megan Gray	GIZ	Advisor Good Financial Governance
Stephan A. Neu	KfW	Director
Helmut Elischer	Friedrich-Ebert-Stiftung	Resident Director

Other development partners

Name	Institution	Position
Bilateral		

Bruce Lawson-McDowall PhD	DFID	Deputy Head of Office
Emeline Dicker	DFID	Governance and Stability Team Leader
Arve Ofstad	Royal Norwegian Embassy	Ambassador
EU and multilateral		
Aad Biesebroek	EU Delegation to the Republic of Zambia and the Common Market for East and Southern Africa (COMESA)	Head of Cooperation
Ina-Marlene Ruthenberg	World Bank	Country Manager
Tobias Nybo Rasmussen	IMF	Resident Representative
Damoni Kitabire	AfDB	Resident Representative
Philip Boahen	AfDB	Principal Country Programme Officer

Government and parliament		
Name	Institution	Position
Dick Chellah Sichembe	Ministry of Finance	Accountant General
Tamala Ngoma	Ministry of Finance	Deputy General Accountant
Emmi Chemguluka	Ministry of Finance	Deputy General Accountant
Mukuli Chikuba	Ministry of Finance	Director Economic Management
Chasiya Kazembe	Ministry of Finance	Chief Economist (Donor Coordination)
David Zulu	Ministry of Finance	Chief Economist
Willis Chipango	Ministry of Finance	Chief Budget Analyst – Expenditure
Chola J. Chabala	Ministry of Finance	Director – National Planning
Prudence Kaoma	Ministry of Finance	Assistant Director Monitoring and Evaluation
Wamupu S. Akapelwa	Ministry of Finance	Assistant Director of Monitoring and Evaluation
Apostle Monde F. Siturala	Ministry of Finance	Acting Director Development Cooperation
Irene Chongo Lamba	Anti-Corruption Commission	Deputy Director General
Mr. Sakala	Anti-Corruption Commission	Director investigations
Lawrence Hansingo	Anti-Corruption Commission	Director community education
Mathews Mbewe	Anti-Corruption Commission	Secretary to the Commission
Zondwayo Soko	Anti-Corruption Commission	Director prevention
H. H. Hamududu	Parliament	Chair of Committee on public accounts, Committee on estimates
Misael Fitzgerald Kateshi	Parliament	Revenue and Expenditure Analyst – Parliamentary Budget Office

Sector ministries		
Fanizani Phiri	Ministry of Local Government and Housing	Acting Assistant Director Roads, Markets and Bus Stations
Shadreck Kambufuire	Ministry of Local Government and Housing	Principal Planer Department of Physical Planning
Roland Chulu	Ministry of Local Government and Housing	Senior Accountant

Civil society and media		
Name	Institution	Position
Geofrey Chongo	Jesuit Centre for Theological Reflections (JCTR)	Deputy Director
Sharon Chileshe	Jesuit Centre for Theological Reflections (JCTR)	Acting Programme Manager
Kryticous Patrick Nshindano	Civil Society for Poverty Reduction (CSPR)	Executive Director
Tommy Singongi	Civil Society for Poverty Reduction (CSPR)	Coordinator Resource Governance Programme

Goodwell Lungu	Transparency International Zambia (TIZ)	Executive Director
Isac Mwaipopo	Centre for Trade Policy and Development (CTPD)	Trade Policy Programme Officer
Stuart Lisula	The Post	
Joshua Jere	Zambia National Broadcasting Corporation	Website Editor, focusing on Economic and Financial Business Reporting

Public finance experts

Name	Institution	Position
Oliver Saasa	Premier Consult	Managing Consultant and Chief Executive Officer
Felix Nkulukusa	Sigora Zambia	Chief Executive Officer

Interview partners German Development Cooperation

Name	Institution	Position
Anja Kramer	KfW	Former Head of Country Office Uganda
Daniela Beckmann	KfW	Former Head of Country Office Rwanda
Stephan Klingebiel	German Development Institute (DIE)	Head of Department (Bi- and Multilateral Development Cooperation)
Nils Warner	BMZ	Deputy Head of Division; Former Head of Development Cooperation, Embassy of the Federal Republic of Germany Kigali
Andrea Hensel	BMZ	Officer, Division for Afghanistan and Pakistan; Former Deputy Head of Development Cooperation, Embassy of the Federal Republic of Germany Kigali
Dr Gabriele Geier	BMZ	Head of Division 100 (Policy issues of bilateral development cooperation; emerging economies)
Gundula Weitz-Huthmann	BMZ	Head of Division 104 (Procedures of Financial and Technical Cooperation)

Source: own

7.8 Interview guidelines for process tracing

Interview with development partners		
Level	Evaluation question	Detailed questions
Induced outputs	<i>Budget transparency mechanism</i>	<ol style="list-style-type: none"> 1. How and why do you think the public expenditure (plan and execution) changed after the GBS exit? <ul style="list-style-type: none"> ○ During GBS, to what extent did the BS dialogue influence budget allocation? How do you think changes in dialogue after GBS exit influences budget allocation in social sectors? ○ After GBS exit, what external factors do you think contributed to the changes in public expenditure (commodity prices, international markets)? ○ After GBS exit, what internal factors do you think contributed to the changes in public expenditure (droughts, elections)?
Induced outputs	<i>Public expenditure mechanism</i>	<ol style="list-style-type: none"> 2. Has the commitment of the partner to implement PFM reforms changed? Why? <ul style="list-style-type: none"> ○ What is the progress in PFM reforms? Which document/plan/strategy builds the basis? ○ Who implements the reforms? Who is the driving force behind it? ○ What is the particular role of the IMF/World Bank/ your role? ○ How sustainable do you consider the reforms? ○ What are the challenges in implementing the reforms? ○ Which IMF structural benchmarks have been achieved? <ul style="list-style-type: none"> ▪ What is the strategy of the government to fulfil the remaining benchmarks? ▪ How do you perceive the commitment in fulfilling the benchmarks? ▪ Who implements the reforms? Who is the driving force behind it?
Induced outputs	<i>PFM mechanism</i>	<ol style="list-style-type: none"> 3. From the data we see that BT increased steadily since 2008, even after the exit from GBS in 2012. Can you explain why? <ul style="list-style-type: none"> ○ What were the reasons for the government to be transparent on budget issues? ○ To what extent did internal or external factors play a role?

Interview with partners (supply-side of domestic accountability)		
Level	Evaluation question	Detailed questions
Induced outputs	<i>Budget transparency mechanism</i>	<ul style="list-style-type: none"> ○ From the data we see that BT increased steadily since 2008, even after the exit from GBS in 2012. Can you explain why? <ul style="list-style-type: none"> ▪ What were the reasons for the government to be transparent on budget issues? ▪ To what extent did internal or external factors play a role? ○ How would you describe the role of DAI in the budget process in your country? <ul style="list-style-type: none"> ▪ Did their formal integration in the budget process change? How? ▪ How important are DAI for budget scrutiny and how did their role change since 2012? ○ Do you recall instances where the GoM reacted to suggestions or pressure from DAI in the budget process? <ul style="list-style-type: none"> ▪ Are they somehow documented?
Induced outputs	<i>Public expenditure mechanism</i>	<ul style="list-style-type: none"> ○ After GBS exit, what external factors do you think contributed to the changes in public expenditure? <ul style="list-style-type: none"> ▪ E.g. commodity prices, financial markets) ○ How did the allocation for social sectors change after GBS exit, and what influenced this change? <ul style="list-style-type: none"> ▪ How was it then vs how is it now? ○ How did the dialogue with the donors support the allocation of budget into social sectors? And what is the situation now? ○ How would you rate the budget discipline now?
Induced outputs	<i>PFM mechanism</i>	<ul style="list-style-type: none"> ○ We understand that the basis for PFM reform is the PFM Action Plan <ul style="list-style-type: none"> ● When and between whom was the PFM Action Plan drafted and agreed upon? ● What triggered the drafting of the PFM Action Plan? ● Which reforms does the PFM Action Plan include? ● What is the progress on those reforms? ● Who implements the reforms? Who is the driving force behind it? ● Is there a new strategy for PFM reform? ● What are the challenges in implementing the reform? ● What role does the IMF and World Bank/other donors play in PFM reform? <ol style="list-style-type: none"> 1. Which IMF structural benchmarks have been achieved? 2. What is the strategy to fulfil the remaining benchmarks? 3. Who implements the reforms? Who is the driving force behind it?

Interview with partners (demand-side of domestic accountability)		
Level	Evaluation question	Detailed questions
Induced outputs	<i>Budget transparency mechanism</i>	<ol style="list-style-type: none"> 1. From the data we see that BT increased steadily since 2008, even after the exit from GBS in 2012. Can you explain why? <ul style="list-style-type: none"> ▪ What were the reasons for the government to be transparent on budget issues. ▪ To what extent did internal or external factors play a role? 2. How would you describe the role of DAI in the budget process in your country? <ul style="list-style-type: none"> ▪ Did their formal integration in the budget process change? How? ▪ How important are DAI for budget scrutiny and how did their role change since 2012? 3. Do you recall instances where the GoM reacted to suggestions or pressure from DAI in the budget process? <ul style="list-style-type: none"> ▪ Are they somehow documented?
Induced outputs	<i>Public expenditure mechanism</i>	<ol style="list-style-type: none"> 4. Has the budget allocation into social sectors changed? <ul style="list-style-type: none"> ○ How were you involved/ knowledgeable about the budgeting process before? What is the situation now? ○ (If any change) what do you think caused this change? 5. Has the commitment of the GoM to implement PFM reforms changed? Why? <ul style="list-style-type: none"> ○ What is the progress on those reforms? ○ Who implements the reforms? Who is the driving force behind it? ○ What is the role of civil society in implementing the reforms? ○ How do you perceive the commitment in fulfilling the PFM Action Plan/IMF structural benchmarks? ○ How sustainable are the reforms? ○ How do you perceive the role of donors/IMF/World Bank in the PFM reform process? ○ What are the challenges in implementing the reform?

Source: own

7.9 Calculation of the post confidence

In combination with the prior confidence, the assessment of sensitivity and type I error enables the calculation of the post confidence. To ensure the comparability of values given for sensitivity and type I error across mechanism parts, the evaluation team developed a coherent scale for assessing sensitivity and type I error for each test. One should note that the assessment is discretionary and constitutes a quantification of qualitative results. The post value is calculated according to the following formula:

$$\text{Posterior} = \text{Prior} * \text{Sensitivity} / (\text{Prior} * \text{Sensitivity} + \text{Type I Error} * (1 - \text{Prior}))$$

Sensitivity

Definition: The probability of getting a confirmation, from the respective entities, when the hypothesis is true. When the sensitivity is high, the probability is high, too.

Example: The probability of the government admitting that social expenditure increased, when it actually increased, is very high because the government has very little incentive to hide the fact. However, the probability of the government admitting to corruption is low because they have an incentive to hide these facts.

Determinants: Two indicators determine the sensitivity, the likelihood that the actors providing the evidence know the answer, and the incentive to conceal it. In other words, the evaluation team assigns values depending on if the interview partner is expected to know the answer or not (see Table 21). The second indicator measures the incentive to conceal the truth by the interview partners. Depending on the topic and the source, the incentives range from high to medium to low, with the equivalent values. To calculate the sensitivity, both indicators are added up.

Table 21 Scale for assessing sensitivity

	Expected to know the answer	Somewhat likely to know the answer	Somewhat unlikely to know the answer
Knowledge	0.90	0.70	0.45
	High incentive to conceal	Medium incentive to conceal	Low incentive to conceal
Incentive to conceal	-0.50	-0.30	-0.05

Source: own

Type I error

Definition: The type I error, on the other hand, is the probability of getting a confirmation from the respective entities when the hypothesis is not true.

Example: Using the example of public expenditure, the government has an incentive to state that public expenditure increased, although it did not actually increase.

Determinants: Three indicators (can) influence the calculation of the type I error: triangulation, contradictory evidence and the likelihood of biased statements. The overall confidence in the evidence for each test depends on the mix of sources. Confidence is generally higher if the evidence comes from interviews with different stakeholder groups, such as donor and partner representatives and civil society representatives. The mix of sources influences the likelihood of biased statements. For example, if asked how the policy dialogue has developed since the exit, government representatives and donors are assumed to have a higher likelihood for a positive bias than CSOs, because the former are responsible for the quality of the dialogue and might feel induced to euphemize the reality. As shown in Table 22, this likelihood for a bias can be either high, medium or low. If the evidence is coming from only one source types, the type I error is increased by

0.1 to account for the lack of triangulation. In case some pieces of evidence contradict each other, the type I error is increased by 0.15 to account for contradictory evidence.

Table 22 Scale for assessing type I error

	High incentive for a bias	Medium incentive for a bias	Low incentive for a bias
Likelihood of biased statements	0.20	0.15	0.05
	Some contradictory evidence	No contradictory evidence	
Contradictory evidence	+ 0.15	+ 0.00	
	<2 source types	>2 source types	
Triangulation	+ 0.10	+ 0.00	

Source: own

Example for the calculation of process tracing

The hypothesis for the mechanism part is that donors exert control through conditionality linked to budget support payments (see Table 23). The first test assesses if conditionality is used. Since existing budget support documents strongly suggest that conditionality was used, the prior was set to 0.9 for the first hypothesis. The sensitivity value is 0.85 because the interview partners (both donor and partner representatives) were expected to know the answer and have a low incentive to conceal the information since this information is not controversial ($0.9 + (-0.05) = 0.85$). In comparison, the prior for the test 'conditionality triggered the intended action by the government' is rated as 0.6 because conditionality has in other country cases not always triggered the intended action and it is therefore only somewhat likely (based on the theoretical intervention logic). The sensitivity value is composed as follows: the interview partners are somewhat likely to know the answer (mainly statements by donor representatives), but have a low incentive to conceal, which results in a value of $0.7 + (-0.05) = 0.65$. The type I error is rated 0.05 for all three tests because there is only a low incentive for bias and neither low triangulation nor contradictory evidence are present.

Table 23 Preparation of data to calculate the post value

Mechanism	Test	Test type	Prior – value	Sensitivity – value	Type I error – value	Post value
Donors exert control through conditionality linked to BS payments	Conditionality was used	Hoop	0.9	0.85	0.05	0.994
	Not fulfilling the conditions had consequences	Hoop	0.6	0.85	0.2	0.864
	Conditionality triggered intended action by the GRZ	Smoking gun	0.6	0.65	0.05	0.951

Source: own

Using the above formula, the three values – prior, sensitivity and type I error – give the post confidence of each test. The confidence in the mechanism part, which can consist of multiple tests, is calculated using a weighted average. This calculation is explained in the following section of the Annex (7.10).

7.10 Calculation of the weighted confidence per mechanism part

A weighted average over the post confidence of the different tests per mechanisms was used to account for the fact that the different test types have different explanatory power.

The weights were chosen (arbitrarily) in a way that should reflect the explanatory power of each test type (see Table 24).

Table 24 Weight of different test types

Test type	Weight
Straw in the wind	1
Hoop test	2
Smoking gun	4
Doubly decisive	6

Source: own

We arrived at the values following a sequence of logical arguments.

- 1 Straw in the wind is assigned a value of 1.
- 2 While a hoop test has the same confirmatory power as a straw in the wind, it has much stronger disconfirmatory power. Therefore passing a hoop test has a higher weight. We assume it is twice as powerful.
- 3 A smoking gun has confirmatory power but, just like the straw in the wind, no disconfirmatory power. We regard the confirmatory power of the smoking gun as more relevant than the disconfirmatory power of a hoop test, i.e. greater than 2. Hence, we assign the value 3 for the confirmatory power of the test. In addition, the test has weak disconfirmatory power for which we assign, following the first assumption' the value 1. Adding both values up gives us the overall weight of the test, which is 4.
- 4 The doubly decisive is in a way a combination of a hoop test and a smoking gun. Thus, the sum of the weights for these two tests equals the weight for the doubly decisive, which is 6.

7.11 Mechanisms tests Malawi

Hypothesis: Level of public expenditure for social sector declines										
Mechanism part	Test	Test type	Prior	Sensitivity	Type I error	Post value	Updating	weighted updating	Confidence (weighted) ⁸⁴	Confidence
The donors suspend GBS but signal willingness to relaunch BS	BS is suspended	Hoop test	0.900	0.850	0.050	0.994	0.094	0.94	0.907	0,946
	Donors signal that suspension can be lifted ...	Hoop test	0.900	0.850	0.050	0.994	0.094	0.94		
	... subject to conditionality on GoM spending in poverty sectors	Doubly decisive	0.500	0.850	0.150	0.850	0.350	0.70		
Donors have fewer possibilities for policy dialogue	The technical level dialogue has weaker leverage	Hoop test	0.500	0.400	0.050	0.889	0.389	0.78	0.838	0,846
	The quantity and quality of policy dialogue is lower compared to BS times	Smoking gun	0.600	0.400	0.150	0.800	0.200	0.50		
	The donors' access to decision makers diminished	Smoking gun	0.500	0.850	0.150	0.850	0.350	0.70		
The donors continue to financially support PE in social sectors through off-budget support	After exiting BS, donors supported emergency and humanitarian projects (2014-2016)	Hoop test	0.500	0.400	0.150	0.727	0.227	0.45	0.885	0,815
	Donors continue to finance development through off-budget modality (on poverty related)	Doubly decisive	0.900	0.600	0.050	0.991	0.091	0.91		

⁸⁴ For information concerning the weighting procedure, see Annex 7.10.

	The joint funding is limited	Hoop test	0.500	0.400	0.150	0.727	0.227	0.45		
GoM doesn't have sufficient resources to sustain or improve PE levels	The GoM external (donor provided) resources diminish	Hoop test	0.700	0.400	0.300	0.757	0.057	0.19	0.803	0,776
	The relative and absolute budget allocation into social sectors declined after the exit	Doubly decisive	0.600	0.900	0.250	0.844	0.244	0.61		
	The internal revenues don't cover the gap	Hoop test	0.500	0.400	0.150	0.727	0.227	0.45		

Hypothesis: PFM reform dynamics are robust

Mechanism part	Test	Test type	Prior	Sensitivity	Type I error	Post value	Updating	weighted updating	Confidence (weighted)	Confidence
Suspend BS, but signal willingness to re-launch BS or similar financing modalities ...	BS is suspended	Hoop test	0.900	0.850	0.050	0.994	0.094	0.94	0.965	0,964
	Donors earmark funds for further disbursement	Hoop test	0.700	0.850	0.150	0.930	0.230	0.77		
	Donors show willingness to relaunch payments if conditionality is met	Doubly decisive	0.700	0.650	0.050	0.968	0.268	0.89		
...conditional to re-launch of (IMF) structural reform programme	The IMF presents a structural reform programme	Hoop test	0.900	0.850	0.050	0.994	0.094	0.94	0.816	0,860
	Other donors signal availability to involve only if IMF involves	Smoking gun	0.500	0.400	0.150	0.727	0.227	0.45		
GoM addresses Cash-gate scandal issues through PFM Action Plan	GoM drafts PFM Action Plan	Hoop test	0.900	0.850	0.050	0.994	0.094	0.94	0.994	0,994
	The PFM Action Plan is agreed and signed	Doubly decisive	0.900	0.850	0.050	0.994	0.094	0.94		

IMF provides suggestions on further PFM reforms and monitors performance of IMF structural benchmarks regarding PFM to assess relaunch	IMF provides suggestions for further PFM reforms	Doubly decisive	0.500	0.600	0.250	0.710	0.389	0.78	0.753	0.753
	IMF monitors the benchmarks	Doubly decisive	0.500	0.600	0.150	0.800	0.350	0.70		
GoM implements PFM Action Plan and exerts higher budget discipline	GoM applies the measures agreed in the PFM Action Plan	Hoop test	0.700	0.400	0.300	0.757	0.057	0.19	0.892	0.858
	GoM implements agreed benchmarks	Smoking gun	0.900	0.400	0.150	0.960	0.060	0.60		
GoM exerts higher budget discipline compared to previous years	Budget execution improved compared to previous years	Smoking gun	0.500	0.400	0.250	0.571	0.071	0.14	0.586	0.593
	Budget control mechanisms are improved	Hoop test	0.500	0.400	0.250	0.615	0.115	0.23		
NAO provides a higher number and detail of audits	NAO receives annual statements from the ministries	Hoop test	0.500	0.400	0.250	0.615	0.115	0.23	0.710	0.650
	NAO has improved capacities and resources	Hoop test	0.500	0.400	0.350	0.533	0.033	0.07		
	NAO produces a higher number of internal audits reducing backlogs	Doubly decisive	0.600	0.400	0.150	0.800	0.200	0.50		

Hypothesis: Budget transparency and domestic accountability are improving

Mechanism part	Test	Test type	Prior	Sensitivity	Type I error	Post value	Updating	weighted updating	Confidence (weighted)	Confidence
Suspend BS, but signal willingness to relaunch BS or similar financing modalities if conditionality is met	BS is suspended	Hoop test	0.900	0.850	0.050	0.994	0.094	0.94	0.965	0.964
	Donors earmark funds for further disbursement	Hoop test	0.700	0.850	0.150	0.930	0.230	0.77		
	Donors show willingness to relaunch payments if conditionality is met	Doubly decisive	0.700	0.650	0.050	0.968	0.268	0.89		

GoM is motivated to secure future financing [external incentive]	GoM is interested in donor support	Smoking gun	0.600	0.650	0.150	0.870	0.267	0.67	0.867	0,867
DAI and CSOs demand budget information from GoM [domestic incentive]	DAI and CSOs demand budget information from GoM	Doubly decisive	0.500	0.600	0.150	0.800	0.300	0.60	0.800	0.800
GoM provides more and high quality budget information to the public and allows DAI to participate in the budget process	Provides more and high quality budget information to the public	Smoking gun	0.700	0.850	0.150	0.930	0.230	0.77	0.870	0.870
	Allows DAI to participate in the budget process	Smoking gun	0.500	0.850	0.200	0.810	0.310	0.62		
DAI conduct budget scrutiny and provide policy recommendations to GoM	DAI conduct budget scrutiny	Hoop test	0.700	0.850	0.200	0.910	0.208	0.69	0.834	0,859
	DAI provide policy recommendation to GoM	Doubly decisive	0.500	0.850	0.200	0.810	0.310	0.62		
GoM reacts positively to these recommendations and changes its policies	GoM provides platform for DAI to present recommendations	Hoop test	0.500	0.400	0.050	0.890	0.389	0.78	0.617	0,710
	GoM implements parts of the recommendations	Doubly decisive	0.500	0.850	0.200	0.810	0.310	0.62		
	GoM does not implements recommendations	Contradictory doubly decisive	0.500	0.400	0.200	0.330	- 0.167	- 0.33		

Source: own

7.12 Mechanisms tests Zambia

Hypothesis: Public expenditure for social sectors remains stable due to elective mode										
Mechanism part	Test	Test type	Prior	Sensitivity	Type I error	Post value	Updating	weighted updating	Confidence (weighted) ⁸⁵	Confidence
Donors exert control through conditionality linked to BS payments	Conditionality was used	Hoop test	0.900	0.850	0.050	0.994	0.094	0.94	0.940	0,936
	Not fulfilling the conditions had consequences	Hoop test	0.600	0.850	0.200	0.864	0.264	0.66		
	Conditionality triggered intended action by the GRZ	Smoking gun	0.600	0.650	0.050	0.951	0.351	0.88		
GRZ increase social spending due to donor pressure/ control	Social spending is increased	Hoop test	0.900	0.850	0.150	0.981	0.081	0.81	0.890	0,917
	Donors influence budget allocations	Smoking gun	0.600	0.650	0.050	0.951	0.351	0.88		
	Increased social spending as a result of donor pressure	Doubly decisive	0.600	0.450	0.150	0.818	0.218	0.55		
Donors exit from BS due to insufficient government's reform commitment	Performance of the government was rated as low or insufficient	Hoop test	0.900	0.850	0.050	0.994	0.094	0.94	0.941	0,958
	Donors lost trust in GRZ commitment and exit BS	Doubly decisive	0.600	0.400	0.050	0.923	0.323	0.81		
GRZ keep high levels of social spending due to elective mode	Social spending is still high	Hoop test	0.700	0.850	0.200	0.908	0.208	0.69	0.811	0,842
	Elective mode is influencing public expenditure	Smoking gun	0.500	0.400	0.050	0.889	0.389	0.78		
	Social spending is high because of elective mode	Doubly decisive	0.500	0.400	0.150	0.727	0.227	0.45		
Hypothesis: PFM reform dynamic collapses										

⁸⁵ For information concerning the weighting procedure see Annex 7.10.

Mechanism part	Test	Test type	Prior	Sensitivity	Type I error	Post value	Updating	weighted updating	Confidence (weighted)	Confidence
Donors reduce amount of BS	Revenues increased for the GRZ	Hoop test	0.700	0.850	0.050	0.975	0.275	0.92	0.984	0.977
	Graduation to lower-middle-income country made donor funding less affordable/attractive	Hoop test	0.600	0.850	0.050	0.962	0.362	0.91		
	Share of donor funding in the budget decreased	Doubly decisive	0.900	0.850	0.050	0.994	0.094	0.94		
Donors lack leverage to push for PFM reform	Initially BS was able to leverage reforms	Hoop test	0.600	0.650	0.050	0.951	0.351	0.88	0.907	0.899
	Unattractive cost-benefit relation reduced motivation of the GRZ	Smoking gun	0.500	0.400	0.050	0.889	0.389	0.78		
	Conditionality was set too ambitiously by donors	Hoop test	0.500	0.700	0.150	0.824	0.324	0.65		
	Decreasing share of BS in the budget reduced the leverage	Doubly decisive	0.600	0.450	0.050	0.931	0.331	0.83		
Reduces reform efforts regarding PFM, accountability and other conditionality	PFM reform dynamics deteriorated	Doubly decisive	0.600	0.200	0.050	0.857	0.257	0.64	0.857	0.857
Donors exit from BS due to insufficient government's reform commitment	Performance of the government was rated as low or insufficient	Hoop test	0.900	0.850	0.050	0.994	0.094	0.94	0.941	0.907
	Donors lost trust in GRZ commitment and exit BS	Doubly decisive	0.600	0.400	0.050	0.923	0.323	0.81		
Increase fragmentation of the aid budget (decrease harmonization)	Donor agendas / objectives are diverging	Hoop test	0.700	0.650	0.050	0.968	0.268	0.89	0.867	0.817
	Harmonization deteriorated / vanished	Doubly decisive	0.700	0.650	0.050	0.968	0.268	0.89		
	Aid budget is fragmented since exit	Doubly decisive	0.600	0.650	0.150	0.867	0.267	0.67		
	Sector harmonization still exist	Hoop test	0.500	0.400	0.350	0.467	- 0.033	- 0.07		

GRZ does not sustain joint dialogue about major causes of budget deficit with development partners	There is no dialogue to the same extent as during BS	Doubly decisive	0.700	0.600	0.150	0.903	0.203	0.68	0.903	0,903
GRZ further decrease efforts on budget credibility and discipline	Budget discipline decreased	Doubly decisive	0.700	0.600	0.050	0.966	0.266	0.89	0.834	0,703
	Corruption and misappropriation is prevalent	Smoking gun	0.700	0.600	0.050	0.966	0.266	0.89		
	In some areas there are improvements	Hoop test	0.700	0.400	0.200	0.176	- 0.524	- 1.75		
GRZ – lack of budget credibility and discipline is fuelled by elective mode	Elective mode increases pressure on budget	Doubly decisive	0.700	0.650	0.150	0.910	0.210	0.70	0.910	0.910
MoF diverts with the executed budget from the planned budget	Budgeting systems are insufficient	Hoop test	0.700	0.700	0.150	0.916	0.216	0.72	0.929	0,925
	Budget execution is not the same as planned budget	Doubly decisive	0.500	0.700	0.050	0.933	0.433	0.87		

Hypothesis: Budget transparency and domestic accountability are further reduced

Mechanism part	Test	Test type	Prior	Sensitivity	Type I error	Post value	Updating	weighted updating	Confidence (weighted)	Confidence
Donors reduce amount of BS	Revenues increased for the GRZ	Hoop test	0.700	0.850	0.050	0.975	0.275	0.92	0.984	0,977
	Graduation to lower-middle-income country made donor funding less affordable/attractive	Hoop test	0.600	0.850	0.050	0.962	0.362	0.91		
	Share of donor funding in the budget decreased	Doubly decisive	0.900	0.850	0.050	0.994	0.094	0.94		
	Initially BS was able to leverage reforms	Hoop test	0.600	0.650	0.050	0.951	0.351	0.88	0.907	0,899

Donors lack leverage to push for PFM reform	Unattractive cost-benefit relation reduced motivation of the GRZ	Smoking gun	0.500	0.400	0.050	0.889	0.389	0.78		
	Conditionality was set too ambitiously by donors	Hoop test	0.500	0.700	0.150	0.824	0.324	0.65		
	Decreasing share of BS in the budget reduced the leverage	Doubly decisive	0.600	0.450	0.050	0.931	0.331	0.83		
Reduces reform efforts regarding PFM, accountability and other conditionality	PFM reform dynamics deteriorated	Doubly decisive	0.600	0.200	0.050	0.857	0.257	0.64	0.857	0.857
Donors exit from BS due to insufficient government's reform commitment	Performance of the government was rated as low or insufficient	Hoop test	0.900	0.850	0.050	0.994	0.094	0.94	0.941	0.907
	Donors lost trust in GRZ commitment and exit BS	Doubly decisive	0.600	0.400	0.050	0.923	0.323	0.81		
Increase fragmentation of the aid budget (decrease harmonization)	Donor agendas / objectives are diverging	Hoop test	0.700	0.650	0.050	0.968	0.268	0.89	0.867	0.817
	Harmonization deteriorated / vanished	Doubly decisive	0.700	0.650	0.050	0.968	0.268	0.89		
	Aid budget is fragmented since exit	Doubly decisive	0.600	0.650	0.150	0.867	0.267	0.67		
	Sector harmonization still exist	Hoop test	0.500	0.400	0.350	0.467	- 0.033	- 0.07		
GRZ does not sustain joint dialogue about major causes of budget deficit with development partners	There is no dialogue of the same extent as during BS	Doubly decisive	0.700	0.600	0.150	0.903	0.203	0.68	0.903	0.903
GRZ conducts no performance assessment about the budget and	Reporting quality decreased due to exit	Smoking gun	0.600	0.400	0.150	0.800	0.200	0.50	0.594	0.537
	Mechanisms of performance assessment still exist	Smoking gun	0.500	0.850	0.300	0.261	- 0.239	- 0.48		

no donor/ CSO consultations about the budget	Consultation with CSOs decreased or disappeared	Smoking gun	0.600	0.650	0.050	0.951	0.351	0.88		
	CSOs provide recommendations and are consulted	Hoop test	0.600	0.850	0.200	0.136	- 0.464	- 1.16		
CSO cannot exert control because formalized participation in budget process is absent	CSO participation in budget process decreased	Hoop test	0.600	0.600	0.050	0.947	0.347	0.87	0.843	0,739
	CSOs ability to disseminate message declined	Hoop test	0.500	0.650	0.050	0.929	0.429	0.86		
	CSO cannot effectively exert control	Doubly decisive	0.500	0.400	0.050	0.889	0.389	0.78		
	CSO provide policy advice	Straw in the wind	0.500	0.850	0.200	0.190	- 0.310	- 0.62		
DAI have no formalized leverage to enforce/follow up on recommendations	Parliament has no leverage in the budget process	Doubly decisive	0.600	0.650	0.050	0.951	0.351	0.88	0.818	0,791
	The OAG has little power and is dependent of the executive	Doubly decisive	0.500	0.650	0.050	0.929	0.429	0.86		
	Corruption cases are not prosecuted	Hoop test	0.500	0.650	0.050	0.929	0.429	0.86		
	The anti-corruption commission lacks power and independence	Doubly decisive	0.600	0.700	0.050	0.955	0.355	0.89		
	Parliament still has some influence	Smoking gun	0.500	0.850	0.200	0.190	- 0.310	- 0.62		
GRZ reduces budget transparency	BT fulfils formal requirements and reforms are under way	Hoop test	0,500	0,650	0,150	0,235	-0,265	-0,53	0,741	0,573
	BT with practical relevance declines/remains low	Doubly decisive	0.700	0.650	0.150	0.91	0.21	0.70		
GRZ reduces budget accountability	DA is deteriorating	Doubly decisive	0,700	0,400	0,150	0,862	0,162	0,54	0,705	0,548
	DA reforms are under way	Hoop test	0,500	0,650	0,200	0,235	-0,265	-0,53		

Source: own

Note: Tests revealing contradictory or disconfirming evidence are marked in orange.

7.13 Commitments and gross disbursements of SBS and GBS by country

Malawi (2000-2013)	General budget support				Sector budget support			
	Commitments		Gross disbursements		Commitments		Gross disbursements	
	million USD	% of total	million USD	% of total	million USD	% of total	million USD	% of total
Total	704.84	100	633.10	100	424.05	100	378.29	100
Belgium	-	-	-	-	2.81	0.66	2.81	0.74
Germany	38.06	5.40	26.70	4.22	-	-	-	-
Ireland	-	-	-	-	0.31	0.07	0.31	0.08
Norway	30.39	4.31	50.62	8.00	22.44	5.29	14.77	3.90
UK	223.28	31.68	216.67	34.22	19.20	4.53	119.61	31.62
EU	354.95	50.36	280.95	44.38	82.10	19.36	17.79	4.70
AfDB	58.16	8.25	58.16	9.19	-	-	-	-
World Bank	-	-	-	-	297.19	70.08	223.00	58.95

Source: CRS (OECD, 2018a)

Rwanda (2000-2013)	General budget support				Sector budget support			
	Commitments		Gross disbursements		Commitments		Gross disbursements	
	million USD	% of total	million USD	% of total	million USD	% of total	million USD	% of total
Total	755.22	100	772.37	100	1089.54	100	1154.63	100
Belgium	-	-	-	-	34.39	3.16	40.35	3.49
Canada	-	-	-	-	-	-	0.86	0.07
Germany	47.68	6.31	46.28	5.99	-	-	8.51	0.74
Netherlands	20.86	2.76	-	-	-	-	24.01	2.08
Sweden	21.76	2.88	22.07	2.86	-	-	-	-
UK	360.22	47.70	360.68	46.70	19.57	1.80	150.21	13.01
EU	241.75	32.01	269.02	34.83	125.84	11.55	96.86	8.39
AfDB	62.95	8.34	74.32	9.62	-	-	4.29	0.37
World Bank	-	-	-	-	909.74	83.50	829.54	71.84

Source: CRS (OECD, 2018a)

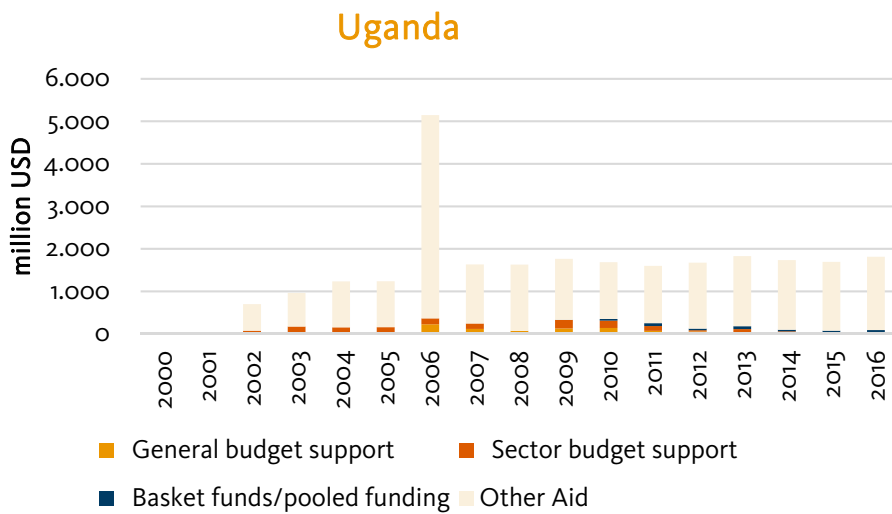
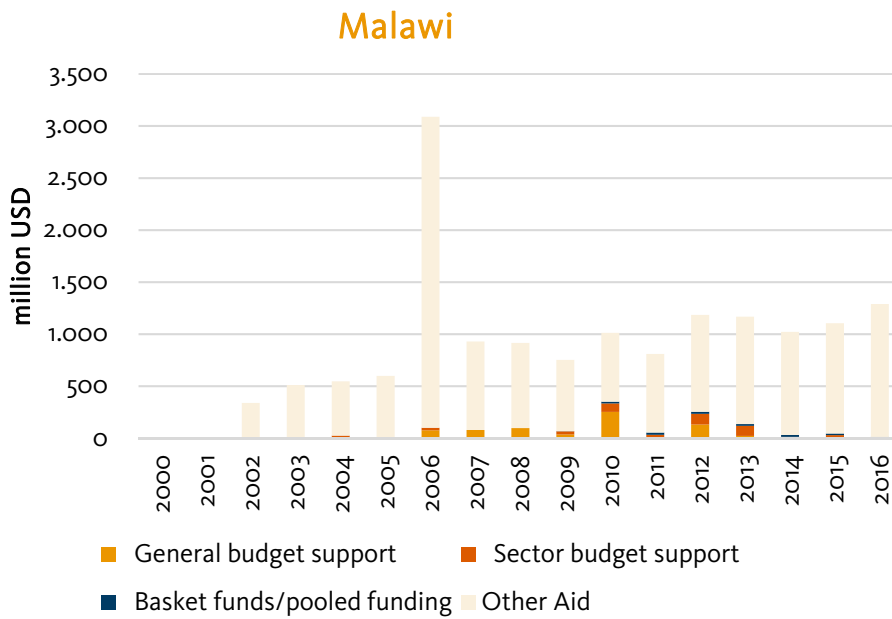
Uganda (2000- 2013)	General budget support				Sector budget support			
	Commitments		Gross disburse- ments		Commitments		Gross disburse- ments	
	million USD	% of total	million USD	% of total	million USD	% of total	million USD	% of total
<i>Total</i>	<i>545.14</i>	<i>100</i>	<i>744.88</i>	<i>100</i>	<i>1575.07</i>	<i>100</i>	<i>1469.24</i>	<i>100</i>
Austria	-	-	-	-	21.57	1.37	19.80	1.35
Belgium	-	-	-	-	16.14	1.02	18.15	1.24
Denmark	-	-	-	-	-	-	20.36	1.39
France	1.91	0.35	2.87	0.39	-	-	-	-
Germany	59.48	10.91	45.10	6.05	2.35	0.15	-	-
Ireland	-	-	-	-	27.19	1.73	27.19	1.85
Nether- lands	57.06	10.47	49.79	6.68	25.18	1.60	21.52	1.46
Norway	36.90	6.77	46.94	6.30	-	-	-	-
Sweden	-	-	4.69	0.63	-	-	11.41	0.78
UK	180.69	33.14	387.39	52.01	8.07	0.51	18.56	1.26
US	-	-	-	-	21.28	1.35	21.28	1.45
EU	209.11	38.36	208.11	27.94	0.01	0.00	6.68	0.45
World Bank	-	-	-	-	1453.30	92.27	1304.31	88.77

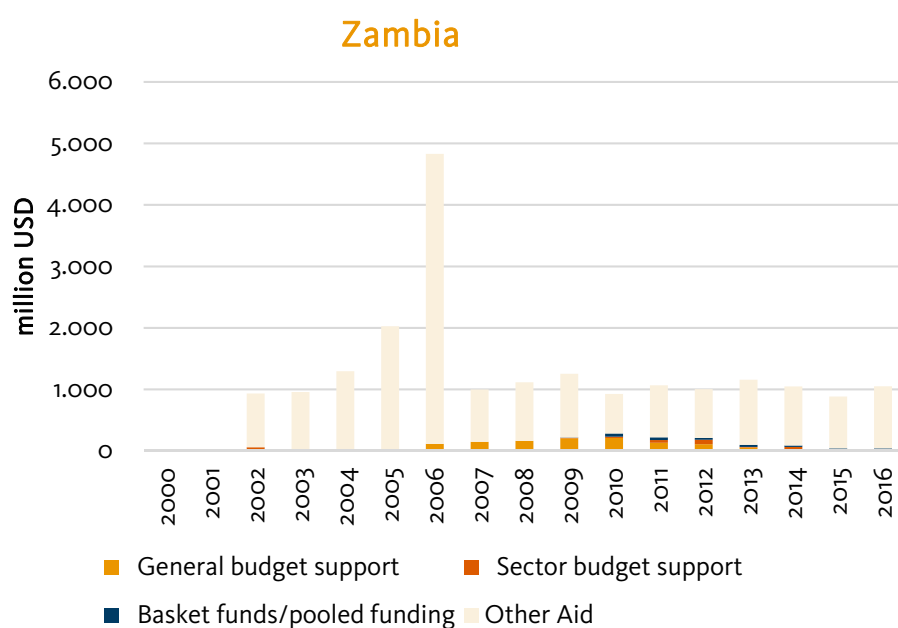
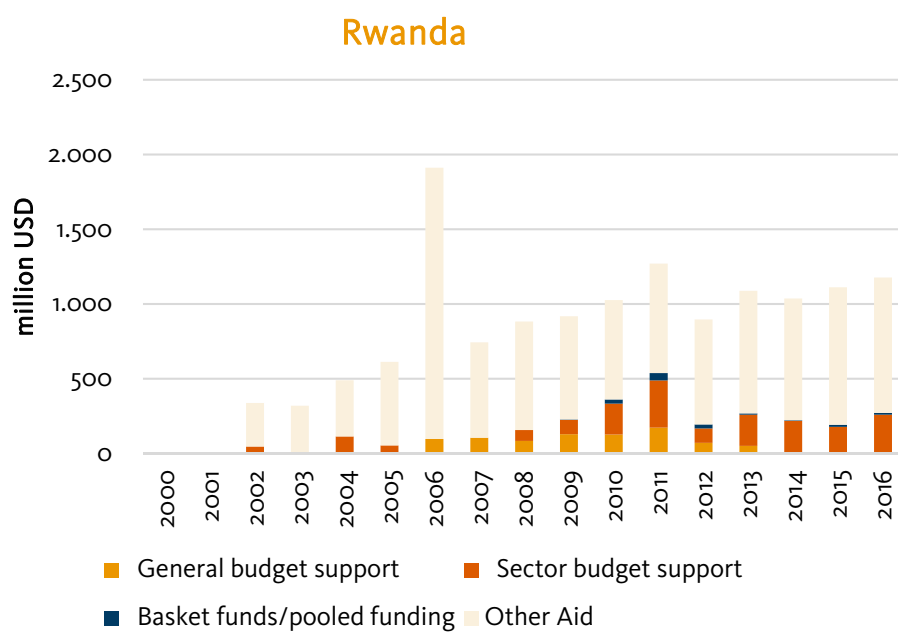
Source: CRS (OECD, 2018a)

Zambia (2000- 2014)	General budget support				Sector budget support			
	Commitments		Gross disburse- ments		Commitments		Gross disburse- ments	
	million USD	% of total	million USD	% of total	million USD	% of total	million USD	% of total
<i>Total</i>	<i>957.24</i>	<i>100</i>	<i>1038.60</i>	<i>100</i>	<i>411.96</i>	<i>100</i>	<i>296.67</i>	<i>100</i>
Finland	59.00	6.16	44.51	4.29	-	-	3.82	1.29
Germany	73.56	7.68	66.90	6.44	-	-	-	-
Ireland	-	-	-	-	2.42	0.59	2.42	0.82
Japan	-	-	-	-	5.13	1.24	5.13	1.73
Nether- lands	52.16	5.45	51.10	4.92	-	-	-	-
Norway	128.02	13.37	128.70	12.39	-	-	-	-
Sweden	16.32	1.71	33.38	3.21	-	-	-	-
UK	190.77	19.93	349.55	33.66	15.99	3.88	32.22	10.86
US	4.35	0.45	1.10	0.11	6.84	1.66	6.78	2.28
EU	387.42	40.47	317.72	30.59	-	-	24.97	8.41
AfDB	45.65	4.77	45.65	4.40	20.98	5.09	20.85	7.03
World Bank	-	-	-	-	360.60	87.53	200.49	67.58

Source: CRS (OECD, 2018a)

7.14 Disbursements of ODA donors by instrument type and year





Source: CRS (OECD, 2018a)

Note: GBS disbursements from the IMF have been excluded because the IMF does not provide GBS that is linked to political outcomes as its disbursement decisions are based on macroeconomic performance.

7.15 Overview of country and aggregate results

	Overall result	Malawi	Rwanda	Uganda	Zambia
Policy dialogue					
Harmonization					
Public expenditure					
Public financial management					
Domestic accountability					
Service delivery					
Non-income poverty					
Macroeconomic performance					

- Moderately positive trend after the exit
 - No change or opposing trends after the exit
 - Slightly negative trend after the exit
 - Moderately negative trend after the exit
 - Strong negative trend after the exit
- Good evidence base
 - Poor evidence base

Source: own

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