British Programme Aid: Changing Orientations

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IDS Bulletin Vol 27 No 4 1996

1 Evolution of UK Policy on Programme Aid since in the 1980s

The Overseas Development Administration (ODA) was the first European donor to link its programme aid to economic reform conditions in the early 1980s. Its approach to the management of programme aid continuously evolved and by the mid 1990s its focus has shifted away from a balance of payments approach towards a budgetary approach to the management of programme aid. The operational and political implications of this latest policy are examined here as well as implications for future evaluation work. Trends in the volume and distribution of UK programme aid are shown in Table 1.

There have been broadly three phases in ODA's programme aid policy and modalities. The first (1983-87) was when this aid was linked to reform but the focus was on direct control of the distribution of the imports locally. The second (1987 to 1994) was the period of increased economic and procedural liberalization. The ODA is now entering a third phase (from 1995). Macroeconomic reform is still its main objective but it now favours interaction between the donor community as a whole and the recipient in relation to counterpart budgetary funds. The stress is now on improved total public expenditure priorities, processes and accountability.

Phase I: Assistance Linked to Economic Reform (1983-87)

By the early 1980s, ODA and its advisers were becoming highly concerned with the deteriorating macroeconomic environment and distorted pricing systems and state inefficiencies in many of its aid recipients. Till then programme aid had been used little and unconditionally. The emergence of serious balance of payments problems in a range of recipients - especially in Africa - lead to a policy of increased programme aid.

Programme aid had two major objectives: to help achieve economic reform and to provide funds to relieve a foreign exchange constraint. These funds were linked to macroeconomic policy reforms being negotiated by the IMF and the World Bank with its main recipients. The policy shift towards conditional programme aid was consistent with the Conservative government's approach to its domestic economy where it had embarked on tough sta-

Table 1 **UK Bilateral Programme and Main Recipients**

	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
Total £m[1] (all countries)	134	162	152	119	138	122	116
At 199293 prices	163	199	162	125	142	120	112
Share of bilateral aid (per cent) of which to	16	18	15	12	13	11	10
Sub-Saharan Africa	96	137	134	69	101	108	103
Ghana	24	19	12	12	10	5	-
Kenya	10	10	..				4
Malawi	..	10	10	..		10	20
Mozambique	18	9	14	5	10	9	10
Nigeria		59	25	3	..		..
Tanzania	20	5	21	11	7	10	..
Uganda	6	12	14	13	18	21	20
Zambia			30	13	28	25	25
Zimbabwe	1	..	..	8	23	15	15
South Asia	25	18	8	42	32	3	2
Bangladesh	25	18	8	2	12	3	2
India				40	20		-

Notes: [1] Figures exclude debt relief which was under £m in total except for 199394.
Disbursement figures rounded to nearest £m; ... denotes negligible and none.
Source: **British Aid Statistics**

bilization measures and market-oriented reforms after 1979. The standard approach ultimately emerged as one in which the recipient country was required to have an agreement, and therefore some seal of approval, from the IMF. This was normally a SAF or ESAF covering stabilization objectives. ODA usually made the release of each tranche of its own import funding conditional on compliance with the agreement with the IMF. Occasionally, ODA has linked its import finance with a World Bank agreement on reform. Some variations on this main model occurred in which the ODA moved before a negotiated agreement by the World Bank (e.g. Mozambique, 1985-6). Although ODA was the first donor in Europe to link its programme aid with IMF and World Bank negotiations on macroeconomic and structural reform, nevertheless this policy emerged fairly cautiously.

The second related objective was that the flows of funds should meet short-term balance of payments problems. The *ex-ante* balance of payments gap was estimated on the basis of how much aid was necessary for recurrent imports to maintain the domestic economy and assist it to grow at a reasonable rate after allowing for export earnings net of debt service and the availability of finance for projects. Hence the stress was on rapid disbursement of funds and on maintenance imports, raw materials, etc. The purpose was primarily to increase utilization of capacity quickly. Programme aid was largely tied to procurement in the UK and there was to be micro-appraisal of local end-users of these general import funds.

ODA did not link counterpart funds from its programme aid to expenditure on specific uses. The

UK has always opposed the hypothecation of counterpart funds to specific project uses on the main ground that it would fragment the budget management process in the recipient country. For each donor to 'protect their projects' as islands of excellence was seen as conflicting with an overall attempt to decide budget priorities in constrained financial situations. If any donor-supported project was already included in an agreed list of public expenditure priorities, its counterpart tying conditions were unnecessary. If these funds were tied to a project outside the budget then it risked distorting overall priorities, breaching public expenditure limits and perhaps creating inflation where counterpart funds were very large.

Phase II: Liberalization and SPA Coordination (1987-94)

The period after 1987 marked two changes in British policy and management. First, ODA became a founding member of the Special Programme for Africa (SPA). It began playing a role within it to establish a multi-donor collegiate approach to strengthen the policy reforms being negotiated by the World Bank and to establish common procedures. It is therefore difficult to separate the ODA's own perspectives from those developing within the SPA framework after this time.

Second, policy for programme aid was reappraised after 1987. ODA saw the contradiction between on the one hand, the policy liberalization objectives of programme aid and actual liberalization of local markets, and on the other hand the policy of tying aid to UK procurement, controlling (administratively) the allocation of the imports to chosen local end-users and using agents to control directly procurement. Hence, a 'lighter hand' approach was introduced in 1987 by which UK programme funds were increasingly untied, and provided through liberalized foreign exchange markets without donor control over the local allocation. Negative rather than positive lists of eligible imports were introduced and reimbursement (retrospective) of local importers who had successfully bid for currency for imports in these auctions or markets.

Liberalized foreign exchange markets were seen as allowing the highest local bidder and those with adequate domestic currency to obtain the scarce foreign exchange at the more competitive exchange rates that began to prevail. Combined with liberalized product markets (also supported by reform linked to assistance) the rationale of the new policy was that any end-user who could obtain domestic funds and could afford to pay the higher price for imports in competition, must represent the higher priority user. This followed because the user would have to sell his products in the local market at a price which would cover his input cost without out an implicit or explicit subsidy from the state. There remained a preference to target private rather than public sector users, though funds were provided to commercial parastatal agencies.

Accountability for programme aid which basically had resided in judgements on the efficiency of allocation of funds to local end-users (*ex-ante* and *ex-post*) now shifted to the effectiveness of operation of the foreign exchange market or surrogate market mechanisms in the recipient countries; a shift from assessment of individual user to assessment of institutional mechanism.

The modalities (as distinguished from policy) for programme aid relate to allocation of the funds domestically, the procurement procedures and value for money, speed of disbursement and recovery of counterpart funds. Initially ODA allocated funds in tightly administered systems managed by itself and its agents with positive lists and specified end users. However, as countries liberalized their foreign exchange systems it liberalized its own controls and left more choices to the users in the foreign exchange markets through which programme aid was later channelled. ODA has progressively moved from tying procurement to the UK towards a more effectively untied use of programme aid. In Ghana, Nigeria, Tanzania and Zambia in the period 1989-1993, it is estimated that 67 per cent of programme aid was untied It is currently 75 per cent untied within the SPA. It used various devices to achieve for value for money (in price and quality) by local users (NAO, 1994) although its actual achievement of this objective does not emerge very clearly from reviews. Speedy disbursement of funds - an important objective -seems to have been reasonably achieved. The average time-lag was 4.4 months for Ghana, Nigeria, Tanzania and Zambia (NAO 1994). ODA expected counterpart funds to be collected either directly by the public sector or by sales to the private sector and it sought to monitor their recovery. ODA did not set 'use condition' for counterpart funds and so this was intentionally not monitored.

An Assessment of ODA's Approach in the 1980s (Phases I and II)

Four main criteria can be used to judge donor performance on programme aid management. First, whether it made its programme aid provision depend on a satisfactory domestic economic policy environment or at least evidence of satisfactory progress in economic policy reform (ie a stable macroeconomic situation and a fairly competitive market environment). Given the fungibility of this type of aid particularly when channelled through foreign exchange market type mechanisms, it was important to have some assurance of allocation to the most economically efficient users. Second, how adequately did it respond to changing conditions in recipient countries in the use of the instrument? Third, did the operational procedures ensure speed of disbursement, best possible value for money and distribution of funds to the most efficient or competitive users and flexibility in responding to changing conditions? Fourth, did the donor work towards maximum coordination among donors?

On the first criterion one possible (retrospective) test of its performance on 'eligibility' is to relate its country distribution to some judgements on these countries' base state of macroeconomic policy, the degree of improvement in these and the degree of state intervention. Table 2 attempts to do this for the periods 1988-90 and 1991-3 for UK programme aid and for comparison; the pattern of programme aid financing by Denmark, Germany, the Netherlands and the European Commission are included.

The judgements on each recipient's macro and microeconomic policy stance and degree of adjustment, are based on those provided in the World Bank study, Adjustment in Africa (1994). Macroeconomic policy assessments used indicators of fiscal balance, monetary policy, real interest rates, inflation as well as exchange rate policies and measures of competitiveness. In addition indicators of the degree of state intervention are also recorded. Of course, allowance must be made for some subjectiveness in these judgements and also for lags between decisions to provide finance and actual disbursement.

The record suggests that of the ten countries to which ODA provided most of its programme aid (1988-93), five were countries whose macroeconomic stance had improved in the 1980s and was adequate in 1991 (Ghana, Gambia, Malawi, Kenya and Uganda) and two were countries who had improved even if their stance in 1991 was not adequate (Tanzania and Zimbabwe). These countries also had a medium or limited degree of state interference by the end of the period covered. Major price distortions had been removed and a unified foreign exchange market established in all these countries except Kenya and Zimbabwe. ODA also provided substantial programme funding to Zambia where macroeconomic policies were deteriorating in the 1980s and where the position was inadequate in 1990-1 although it did not provide these funds until there was an agreed IMF programme of reform. Of course, Mozambique was starting from a particularly retarded economic environment while in the case of Zambia there was a change of government in 1991 which gave prospects of new commitment to economic change. In the case of Nigeria, in retrospect ODA hardly backed a 'winner' though it did stop aiding Nigeria when its reforms went off course in 1991.

By comparison the European Commission import assistance during this period seems to have been fairly undiscriminating between those economies which were deteriorating and those which were improving. Its pattern remains the same in the early 1990s. German assistance also seems to have been sprinkled widely with limited regard to policy performance of recipients.

On the second criterion, the UK did show considerable sensitivity to changing conditions in the recipient countries over this period and manifested considerable flexibility in its approach to policy reform and in the modalities . This was indicated by an early willingness to liberalize its own procedures as recipient governments liberalized theirs.

Third, in terms of modalities, ODA's strengths were flexibility in response to changing local conditions and speed of disbursement in at least some of its major recipients. Whether it achieved value for money does not emerge clearly. There was however, a curious lack of attention to the actual recovery of counterpart funds; either the receipt of these funds or their transfer to national treasuries (NAO 1994: 3.21).

Fourth, ODA has showed a strong desire to achieve a multilateral framework for management of structural adjustment assistance for Africa especially through the SPA where it has made a major contribution especially in helping to develop policy and procedural guidelines for all donors to follow. At the same time the ODA's individual role in the diagnosis, formulation and negotiation of the new economic policy reforms has evolved. ODA's input originally was an indirect one; through the UK Treasury and Bank of England staff in the IMF and World Bank Boards, where the UK was an influential and well informed member on adjustment policy issues. However, by the end of the 1980s it achieved increased participation mainly through its advisers participating in joint recipient country missions of diagnosis and review with the World Bank staff. The British High Commission and ODA's Development Divisions have also played some part in seeking to dialogue directly on the recipient government's choice of policy options.

3 UK Policy in the 1990s: New Orientations

UK policy entered a third phase in its approach from about 1991. New objectives were added to existing ones and there was a shift from a balance of payments approach to a budgetary approach to the management of programme aid funds.

Phase III (1991-95) Objectives

The main objective in the use of programme aid continues to be its link to macroeconomic reform and conditionality remains a strong feature in the 1990s. Programme aid is normally provided only if a country has a seal of approval from the IMF on its macroeconomic policy. The disbursement of funds is normally timed and tranched to coincide with agreed 'milestones' under these IMF programmes. ODA makes its own judgement on the adequacy of the recipient's performance in achieving economic reforms which are seen as the basis for long-term growth. ODA has in practice held up release of its programme aid - temporarily or permanently - if agreed reforms are off-track (e.g. Zambia in 1991). The World Bank also will not normally go ahead in its structural adjustment financing and reform programmes without an IMF agreement. So the linking of UK programme to a World Bank structural

Notes: 0 = no assistance = not available * countries where the donor's aid is a significant share of its exports (≥5%). Degree of state intervention in markets is ranked High(h) Medium(m) or Low(l) for 1992

Figures for CEU 198590 and 19913 are for 'Decisions'. Figures for Germany and the UK are disbursements and there is therefore some risk therefore that disbursements 19913 partly reflect decisions in the earlier period. Group 1 had some improvement in macro policies in 1986-91 and adequate policies in 1990-91; Group 2 has improvement but poor policies in 1990-91; and Group 3 had deteriorating policies in 1986-91 and poor policies in 1990-91.

Sources: Aid statistics: CEU, 1993, Information Memo, Annex 4; 1995, Review of Aid; 1993 Financial Cooperation under Lomé; Germany: KFW. UK: British Aid Statistics. For Denmark: Tarp and Vaczy Kragh (1996); For Netherlands: Eeckhout et al. (1996). Policy information from World Bank, 1994: pp 58f.

Table 2 **Donor import assistance and the macroeconomic policies of ACP recipient countries**

	Exports ($m)		EU Commission		Denmark		Germany		Netherlands		UK	
		1991	1985-90	1991-93	1988-90	1991-93	1988-90	1991-93	1988-90	1991-93	1988-90	1991-93
Good and improving policies												
Ghana(m)	882	992	46*	59	0	0	10	42	0	0	83*	41
Gambia(l)	-	-	7	5	0	0	neg	neg	0	0	1	12
Burkina Faso(h)	249	116	61*	59	0	0	12*	16*	-	-	0	0
Nigeria(l)	-	2,000	0	0	0	0	6	34	0	0	126	6
Madagascar(h)	282	344	0	0	0	0	1	4	0	0	0	0
Malawi(m)	301	470	25*	24	0	0	7	25*	0	0	19*	16
Kenya(m)	1,034	1,203	0	0	9	10	34	9	111	55	0	20
Mali(m)	255	354	48*	48	0	0	24*	22*	0	0	0	0
Mauritius()	1,110	1,193	-		0	0	0	0	-	-	0	0
Senegal(m)	761	977	12	6	0	0	1	0	0	0	0	0
Uganda(l)	298	200	20	17	5	28	10	16*	0	0	48*	77*
Improving, but still poor, policies												
Tanzania(m)	373	394	?	55	51	34	11	10	183	109	54*	20
Zimbabwe(m)	1,589	1,780	-	17	4	11	14	27	32	47	1	36
Deteriorating and poor policies												
Benin(m)	225	103	35*	41	0	0	7	29*	0	0	0	0
CAR(h)	132	133	0	0	0	0	3	1	0	0	0	0
Côte d'Ivoire(m)	2,360	3,011	41	40	0	0	0	38	0	0	0	0
Cameroun(m)	1,640	2,022	23	26	0	0	6	28	0	0	0	0
Congo(h)	912	900	0	0	0	0	0	0	0	0	0	0
Mozambique(m)	104	0	36*	16	6	14	27*	24	121	95	60*	37*
Sierra Leone(l)	106	145	14*	2	0	0	6	0	0	0	0	0
Zambia(m)	1,073	1,082	85*	83	0	19	12	62*	48	61	46	96*

adjustment programme also meets this minimal condition. The UK however, does not normally seek to add its own conditions to those of the World Bank though there are some cases of this.

Since 1990 the UK has taken a strong position on 'good governance' and political and human rights records. Thus it suspended tranches of programme aid also for non-economic reasons, for example in Malawi in 1992. Eligibility for UK programme aid therefore now depends on performance in both economic policy and good governance although this approach has tended to apply mainly in Africa where the higher degree of aid dependence has probably made it possible there.

Although the overall volume of UK programme aid has already peaked (see Table 1), flows will continue to be maintained at a substantial level. These flows are fairly modest compared to those of the European Commission and Japan. The main focus geographically will be promotion of economic reform and longer term economic growth in the poorest countries especially in Sub-Saharan Africa. Programme aid to Asia is being phased out.

The Shift from Balance of Payment to a Budgetary Approach

In its management of the flow of funds, the UK has shifted from a focus on the recipient's balance of payments to its budgetary process. The focus of accountability is no longer on imports and how they are allocated and disbursed but on public expenditure - its control and its structure, including allocation. The counterpart funds from balance of payments support which continues to be quick disbursing, are used by ODA to reimburse elements in the recipient's budget such as a sector like health or education. To permit flexible use of these funds in a budgetary context ODA has moved towards a high degree of procurement untying; 75 per cent is now untied within the SPA framework.

The link between programme aid and specific sectors or sub-sectors of a recipient government's budget is seen by ODA primarily in terms of 'accountability' and not 'conditionality'. Accountability for the expenditure of the funds for certain purposes does not achieve any change in the allocation of budgetary expenditure by itself. UK programme aid provision is linked to World Bank macroeconomic conditions and there are often statements of intent on the shares of the budget to be devoted to certain (usually social) sectors. While IFI agreements do not usually focus on reforms in the specific sectors concerned nevertheless the counterpart funds from the UK programme aid does under-pin reforms in broad budget allocations to which the recipient has committed itself through the public expenditure review process. ODA then sees itself as supporting priority programmes like primary health and education within this general framework.

However, ODA will sometimes add its own sector (budget) conditions to those being negotiated by the IFIs on more general economic policy. Thus in its recent programme aid agreement with Zambia for the health sector it required, additional to World Bank conditions, that in the event of a reduction of the total budget for the health sector, ODA would withdraw its support if the non-wage element of the budget were reduced disproportionately. It also pursues institutional reform through technical assistance in the same sectors. Its approach makes institutional reform and technical cooperation an integral part of a package with programme aid (e.g. programme aid for the health sector plus TC to assist public sector financial management in Zambia recently).

ODA's ultimate objective for the management of programme aid is a collective and disciplined donor approach to the budget as a whole which is so often heavily financed by the counterpart funds from programme aid (and other aid forms) of all donors. ODA sees the need for a medium-term framework of public expenditure by recipient governments to be the basis for dialogue and agreement with donors collectively. This would cover budget size, deficit and its financing, its structure and sectoral allocations as well as the balance between different budgetary elements including capital, recurrent, wage and non-wage expenditure. Donors would agree on priorities for the allocation and use of public expenditure as a whole which would be negotiated with the recipient authorities. The recipient authorities could put forward different priorities for donor dialogue. Consistency in key priorities could be achieved by avoiding different donors giving the recipient inconsistent messages and priorities through earmarking to specific projects, sometimes outside the budget framework.

It wants to focus on what the recipient government does and not just the donors. 'Ownership' of budgetary operations by the recipient government is seen as essential; and forms part of its political 'good governance' strategy as well as its economic development strategy. Recipient commitment to institutional improvement in the budgetary management process is anticipated. The conditionality would be relaxed as accountability improves.

ODA is not alone in the pursuit of these objectives. The European Commission, for example, now has a budgetary approach to programme aid in countries where the foreign exchange system has been liberalized. Moreover the SPA has just agreed guidelines on how policy dialogue should be conducted within a medium term public expenditure framework. A multi-year Action Programme to improve standards of recipient budgetary management has been proposed. Recipient transparency and participation in the pursuit of priorities is sought. A framework for donor coordination is to be established by the recipient government. Expenditure priorities are to be agreed with the donors. Progress is to be monitored. There is a wish to see a country's performance in this respect as a major consideration in the future allocation of donor's aid.

Assessment of this Medium-Term Budgetary Approach

What is the justification for the switch from a balance of payments\import allocation approach to one managed through the budget of the recipient country ? The rationale for a budgetary focus for programme aid can be seen to rest basically on four major considerations.

First, general purpose support can be said to relieve a 'budget (or savings) constraint' as well as a 'foreign exchange constraint' though under flexible exchange rate and price systems the distinction disappears. The bulk of the concessionality of programme aid (which usually has a high grant element in Africa), is now effectively transferred to the government budget not to the private sector. Currently private users purchase these funds in now liberalized foreign exchange markets and they pay in local currency to the Central Bank up-front. This ensures a high degree of recovery of the counterpart funds by the government.

Second, foreign exchange and product markets are now fairly liberalized so that allocation of foreign exchange between users should be fairly efficient in economic terms. At the same time, control of the government's budget and the character of the budgetary process remains a major weakness in a number of recipient countries. Control of public expenditure is a vital element in economic stabilization and control of inflation. Budgetary allocations are frequently unbalanced both in relation to capital and recurrent expenditure, new investment and maintenance, wage and non-wage elements.

The third major defence of this approach which can focus on improvement of the budgetary process, is that it aims to make the recipient government account for its own spending rather than the donor seeking to do so, as in the past. It integrates present concerns with 'good governance' with the objectives of better economic policies. The budgetary processes lack accountability. It is therefore appropriate to focus on institutional aspects and ways in which donors can help improve it alongside their budgetary funding. Institutionally it must be easier to appraise and dialogue on the allocation of public expenditure through centralized institutions than to do so on the allocation of imports in a private economy as in the past. Also it is probably easier technically to assess an ex ante budget deficit than an ex ante balance of payments 'gap' for example.

Fourth, for those who would like to see greater concern with poverty reduction in the aid process, there is scope for of this objective within a wider than project-by-project framework of dialogue and financing in this 'global' public expenditure approach.

Finally, a number of donors have tended to be resistant to a budgetary approach to general purpose aid. The main concern has been a fear of an 'open-ended' commitment to support a recurrent budget. This is understandable. Yet, there is a paradox here, since the same donors have been prepared during the 1980s to provide quick-disbursing balance of payments support which (through counterpart funds) has permitted in effect, recurrent budgetary expenditure. Aid for recurrent imports for the economy during the 1980s also risked generating 'aid dependence' as much as aid for recurrent budget support. The aim in both cases is to phase-out such support so the recurrent budget can become self-supporting and aid can once again be channelled largely into capital expenditure.

The management systems for programme aid envisaged also have considerable virtues. They aim for a shift away from short term perspectives towards medium term objectives, monitoring and conditionality. The new approach seeks greater consistency in priorities among donors and addresses the 'fungibility' issue. The ultimate and desirable goal is to reduce the compartmentalization of aid in different instruments towards management of transfers as a whole.

However, the shift towards a medium term approach as yet does not imply a longer term donor commitment of programme aid (tied to macro policy reform conditions) although currently sector and project aid works largely does. Moreover, the transition process towards these desirable goals of a medium-term public expenditure framework with coordinated donor agreement on priorities, does pose some potential problems and dangers. The approach will only work properly when the budgetary management procedures of recipients have improved considerably. At present the proposed indicators and measures of recipient performance appear to be its budgetary intentions or public expenditure estimates. The ultimate need (for recipient and donor) is to judge the expenditure outcomes (which in many countries are only available tardily and which often greatly diverge from authorizations and estimates). In addition of course more feedback will be necessary (and indeed is proposed) on the societal impact and productivity of budget expenditures. This will be a substantially long-term task. Maintaining support from donors' domestic stakeholders in such a transition may not be easy.

Another apparent inconsistency is that ODA (and EC) are currently linking the counterpart of their programme funding to specific budgetary expenditures mainly in the social sectors. While accountability for funds along these lines is quite acceptable there are some signs that they are (both) also seeking individually some leverage in restructuring the budget towards certain sectors and sub sectors (eg education, health, primary education and health etc); a procedure which is best achieved collectively. There is some risk of a proliferation of donors all centring on the same priority sectors and perhaps distorting the allocation process. There is also a risk that if the macro-economic and structural reforms negotiated with the IFIs (to which programme aid is primarily linked) are 'on course', the recipient may give little attention to budgetary issues, corruption, etc.

5 Future Evaluation

In commissioning evaluation work in the period between 1988 and 1991, ODA was concerned above all with the design of the implementation of their programmes. They were concerned with modalities or implementation procedures and how far these responded to changing objectives, including micro economic allocation, though this did not include the economic performance or outputs of the end-users. However, ODA has relied on the World Bank and the IMF to assess compliance with their negotiated agreements. They did not cover the impact of actual policy reform on the economies (macroeconomic and microeconomic). But they have encouraged the IFIs to undertake their own evaluations of the impact of economic reforms.

If programme aid continues to be linked with macroeconomic reform and donors focus collectively on budgetary management of the flow of funds, what are the implications for evaluation work in future? There is a strong case for macroeconomic policy change sought from aid interventions to be evaluated from a multi-donor perspective. While it is not sufficient to leave these assessments to the IFIs alone, there is also little point in each individual donor seeking to evaluate its own impact, as the EC has done in assessing the budget restructuring impact of its own structural adjustment (see Caputo, 1996). Combined donor encouragement of independent evaluation of total donor impact of this kind seems justified.

With a shift in focus onto the budgetary aspects, donors are or will be, concerned with the impact of their 'budgetary' aid. This covers the impact of aid flows on 'additional public expenditure' and 'reduced domestic resource mobilization' as well as the impact on restructuring or reallocation of public expenditure. These aspects are appropriate for evaluation work. This work should cover not just the medium-term outcomes stemming from this approach but also its impact on income, health, education, etc. and the distributional effects.

Finally, institutional changes in the budgetary process and the extent to which accountability improves are suitable for evaluation as well as on the political and cultural conditions under which public expenditure management and accountability tends to be better (eg. Healey and Tordoff 1996).

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