



## Comments from the Federal Ministry for Economic Cooperation and Development on the DEval Evaluation Report *The Future of Integrated Policy-based Development Cooperation. Lessons from the Exit from General Budget Support in Malawi, Rwanda, Uganda and Zambia*

The Federal Ministry for Economic Cooperation and Development (BMZ) welcomes the report *The Future of Integrated Policy-based Development Cooperation. Lessons from the Exit from General Budget Support in Malawi, Rwanda, Uganda and Zambia* submitted by the German Institute for Development Evaluation (DEval).

### Relevance of findings

The evaluation deepens the valuable findings of the evaluation synthesis drawn up by DEval in 2017, *What we Know About the Effectiveness of Budget Support*. This was the first systematic evaluation of the impact of the instrument of budget support.

Based on 95 evaluations and studies, that first study arrived at a largely positive assessment of the effectiveness of budget support. Impacts include improved public financial management, stronger accountability of public institutions, higher spending on basic social services (especially education and health), and improved access of the people to such social services. The use of budget support instruments has also made a significant contribution towards reducing donor fragmentation and harmonizing resources. For a number of other assumed effects – such as a change in the level of corruption and a drop in income poverty –, there was not sufficient evidence to show that such effects had been achieved.

The new evaluation analyzed whether the positive effects of budget support remain after donors terminate this form of cooperation. The evaluation was based on the case studies of Malawi, Uganda,

Rwanda and Zambia. Budget support was terminated in these countries in the years 2012 to 2014, in each case in response to violations of the agreed principles of cooperation, causing painful budget cuts in all four countries. Pro-poor spending fell. Temporarily, until measures undertaken by the governments in response to the situation became effective, there was also a drop in the countries' growth rates, which had previously been above-average.

The findings show that a large proportion of the positive effects achieved through budget support are undone when budget support is terminated. In the partner countries, this relates particularly to public financial management, domestic accountability and transparency. There were also negative impacts on the relations between donors and partner governments and among donors, which in turn had a negative effect on the quality and effectiveness of development cooperation with the countries concerned. The fragmentation of development cooperation portfolios increased significantly again; donor coordination and harmonization have deteriorated considerably. The intensive joint policy dialogue which, together with financing and accompanying capacity building, forms a key element of budget support ceased almost completely when joint budget financing was terminated. This makes it more difficult for donors to take coordinated action to influence systemic, overarching governance issues and reform processes and to foster partner government ownership. The influence of donors on the strategic design of partner governments' policy and reform agendas decreased.

## Conclusions

The BMZ has drawn the following key conclusions from the evaluations:

1. In order to implement the internationally agreed and recognized principles of development effectiveness (ownership and alignment, managing for development results, inclusive partnerships, transparency and mutual accountability), bilateral and multilateral donors should make greater use again of joint policy-based approaches and instruments. The high level of fragmentation and the focus on supporting individual projects weaken both donors' influence on strategic policymaking and the potential and effectiveness of development cooperation in general.
2. In order to support reform processes in partner countries in an effective and transparent manner, there is a need both for providing funding and for supporting and encouraging good governance – these are two sides of the same coin. Thus, integrated, policy-based approaches never consist of "budget financing" alone. What is needed is an overall political package that has been agreed with the partner government and other donors. It must involve the provision of funding and, equally, a high-level political dialogue, mutual accountability regarding the implementation of joint agreements, and accompanying efforts to build capacity on the partner side.
3. The packages of policy-based measures must be based on the country context and on the partner government's reform agenda. Systematically aligning efforts with the reform momentum in the partner countries does not only enhance ownership but also improves the credibility of the donor community and the likelihood that development cooperation will foster sustained structural change in an efficient manner.
4. Joint efforts are needed in order to rebuild and/or strengthen the dialogue and coordination structures that have been lost, but also in order to rebuild and/or strengthen confidence. The Marshall Plan with Africa and the support that is being given to reform partnerships provide a good platform for offering sustained support to partner country ownership with regard to the implementation of reform programs and for implementing the insights from the said evaluations. Together with our European and multilateral partners, we should discuss the political and practical experience gained with budget support and the evidence regarding its effects, and together we should make headway on the prudent refinement of joint policy-based approaches.