

Evaluation of the Budget Strengthening Initiative 2010-2015

ODI Management Response, December 2015

Introduction

This note sets out the management response by ODI to the independent evaluation of the Budget Strengthening Initiative¹ which was undertaken in 2015 at the end of the five year programme of support provided by the Africa Regional Department of DFID. The evaluation report has been considered by the BSI project team, by ODI senior management, and by the BSI Advisory Board.²

Overall reflections

The 2010 – 2015 Evaluation involved a thorough and independent review of BSI in terms of both how it operates and its achievements to date. ODI is pleased to note the independent assessment's finding that current progress is above expectations (A+ in DFID assessment criteria³), with a further A++ for the work on local service delivery in South Sudan.

The Executive summary highlights both the distinctive nature of BSI as well as its overall impact.

“BSI’s theory of change posits that the programme will be able to identify political openings for reform, even in difficult political environments, and position itself as a trusted adviser to its counterparts to take advantage of those opportunities. It holds that reform can best be promoted through a flexible, problem-solving approach, combining strategic and technical advice with hands-on support for implementation. It suggests that, while some interventions will fail, others will deliver catalytic results that justify the overall investment.

“We find that these assumptions are broadly borne out by BSI’s experience, particularly in its larger engagement in South Sudan. BSI’s approach has proved to be well suited to the stop-go nature of reform in fragile contexts. When the political space for reform in a particular area closes, BSI has proved able to prevent past gains from slipping backwards and to identify other opportunities to move forward. By providing hands-on support to the implementation of reforms, BSI has proved to build constituencies for reform and overcome obstacles. Its work on local service delivery in South Sudan is a particularly good illustration of how a flexible, problem-solving approach can be used in the pursuit of long-term, strategic goals. It has produced catalytic results, in the form of influence on both government expenditure and donor programmes, that represent a strong return on the investment.”

In addition, the Evaluation highlights that:

“Feedback from counterparts on the calibre of BSI teams was universally positive. BSI staff are seen as providing an unusual mix of political insight, technical expertise and skills in communication and

¹ Available online: <http://www.budgetstrengthening.org/external-evaluation/>

² To help ensure a high quality product, Evaluation reports were reviewed by DFID’s external quality assurance panel, together with representatives of the BSI Advisory Board who formed an Evaluation reference group.

³ DFID’s SMART Guide provides the following ranking: A++ = Outputs substantially exceeded expectation, A+ = Outputs moderately exceeded expectation, A = Outputs met expectation, B = Outputs moderately did not meet expectation and C = Outputs substantially did not meet expectation.

facilitation. The programme is able to offer good economy through modest fee rates and overheads, efficient use of part-time consultants and a limited infrastructure in its partner countries.”

While the focus of the programme has been on institution building in fragile states, the BSI Advisory Board requested the evaluation to consider BSI’s relevance and contribution to peace and state-building goals under the New Deal. The evaluation response was as follows:

“We find that BSI has a potentially important contribution in a number of ways:

- by strengthening ‘revenues and services’ – one of the peacebuilding and state-building goals;*
- by promoting the use of country systems for aid delivery, one of the TRUST principles;*
- by helping to facilitate donor-government communication on economic governance and to manage risks around the donor-government relationship;*
- through its support for the g7+ group’s international advocacy; and*
- by direct support to New Deal implementation activities”.*

ODI is pleased to note the conclusion that:

“Overall, however, the evaluation supports the proposition that BSI represents an innovative approach to technical assistance that addresses many of the shortcomings of conventional approaches and that has proved well suited to promoting budget reforms in fragile states.”

The Evaluation examined BSI process and systems, and made eight recommendations to improve the effectiveness and efficiency of the programme. The recommendations are useful and identify a number of areas where improvements can be made both for BSI as a whole and in varying degrees in each country programme.

Response to Recommendations

- 1. In its country programmes, BSI should ensure as far as possible that its technical support to budget reforms makes a strategic contribution to wider economic governance issues (e.g. managing internal and external resource flows; financing service delivery; decentralisation). This may entail engaging with a wider range of counterparts and stakeholders, beyond ministries of finance.*

Agree: The evaluation has made the point that “the programme is at its strongest when it moves beyond internal ministry of finance processes and engages a wider range of stakeholders on economic governance issues”.

This way of working has been a consistent aim from the start of BSI. The evaluation notes it is particularly evident in the South Sudan programme. The Liberia programme has brought various departments and ministries together through “Problem-Driven Iterative Adaptation workshops” which have focused on specific economic governance problems identified by the Government. The DRC programme is working to support improved coordination of reforms across government.

All BSI country teams will seek to ensure their assistance makes a strategic contribution to the broader economic governance agenda, in addition to the specific issue it is seeking to address. This may involve networking with other technical assistance providers and with donors. For this approach to be effective, it must flow from counterparts’ own interest in wider engagement.

- 2. BSI should refocus its g7+ work stream towards the larger strategic challenge of improving the quality of international support to fragile states, using its research and analytical capacity to*

support the international dialogue by helping to turn New Deal principles into practical proposals for improving aid management and delivery.

Partially agree: BSI will continue its direct support for the g7+ alongside broader engagement on international dialogue.

Although BSI will continue to provide flexible and responsive support to the g7+ Secretariat, the relationship is evolving and this is already enabling BSI to operate more as a strategic partner. We see the potential for being an independent proponent of ideas, acting independently of the g7+ in some situations. There may be scope to extrapolate lessons learned in BSI country programmes which could be useful to other fragile and conflict-affected states and their partners, as was started with BSI's Change in Challenging Contexts research papers.

Our primary commitment to act as a confidential advisor to the g7+ Secretariat, on the basis of demand-driven principles, is unchanged. We continue to regard our most important function as being to support the g7+ in their key role of amplifying fragile state voices on a range of issues.

The BSI think piece and presentation at the UNGA side event in September, with the encouragement of the g7+, is an example of how BSI's role is changing. When appropriate, the BSI g7+ team will occasionally research and articulate publicly the case for changes in the international architecture independent of the g7+ position.

3. BSI should make more explicit use of political economy analysis to identify strategic risks and opportunities in its partner countries, with a focus on the long-term goal of reducing conflict and fragility.

Agree: Political economy analysis is used implicitly throughout the programme. BSI will look to make this analysis more explicit and, where possible, available to others.

A particular strength of BSI is its political understanding of the contexts in which it operates. The evaluation notes that BSI personnel have an unusual mix of skills, including political insight. This will continue to be a key element of the recruitment strategy, namely employing experts with the ability to engage and operate in highly-sensitive political contexts. BSI has also managed to retain personnel with a growing level of country-specific knowledge.

Steps have been taken over the past twelve months to undertake more explicit political economy analysis and to discuss the findings extensively at BSI retreats. In-depth discussions took place particularly with respect to the South Sudan programme. BSI continues to draw analysis from other stakeholders and targets its own analysis on how political economy factors affect the incentives and actions of key stakeholders.

4. *BSI should explore the use of scenario planning and other risk management tools to help manage its engagement in volatile contexts. It should identify the objectives and activities appropriate to different scenarios, to help it to respond nimbly to changes in context. For high-risk work streams, it should identify and monitor the minimum conditions required for a successful engagement.*

Partially agree: BSI already uses a range of tools to manage its engagement. Extensive use has been made of stock-taking events bringing together a wide range of stakeholders to review progress and to consider future options and scenarios.

The South Sudan team has now moved to a shorter-term planning horizon, developing indicators to assess change and increasing the frequency of cross-team reflection, which is informed by views outside of ODI. BSI also made extensive use of scenario planning at its October retreat for South Sudan. The team has developed a set of triggers for factors which have a direct impact on the team's ability to implement the programme effectively. These are now being reviewed on a monthly basis and are in line with the recommendation.

The Liberia team had to adjust its programme significantly following the Ebola outbreak and to support the Government in its response. Added support on revenue is in direct response to the urgent need to respond to the loss of revenue due to Ebola and demonstrates the adaptability and flexibility of the programme.

5. *Based on its research programme and lessons learned from its country programmes, BSI should work towards a clearer articulation of the challenges of building capacity in low-capacity and volatile environments and develop explicit capacity building strategies for each of its country programmes. It should conclude agreements with its counterparts as to what forms of capacity building support it will provide, including training and mentoring for staff, as appropriate.*

Partially agree: The research programme has already generated useful outputs, with another product in the pipeline. Country-based capacity building strategies will be developed where they are valuable.

The BSI research programme has been looking at the issue of capacity building over the last few years. A research report on "*Sustaining public sector capability in developing countries*" was published in December 2015.⁴ This provides insights into the challenges of capacity building and examples where positive progress has been made. The recent report on "*Driving Change in Challenging Contexts*", and associated briefing notes,⁵ set out BSI's approach to reform and capacity building. Both reports are the product of collaboration between practitioners and researchers.

BSI will make the capacity building objective more explicit in its internal country programme planning documents and, where appropriate, with its counterparts. While it is important that BSI has a clear articulation of its capacity building intentions in each country programme, the BSI approach explicitly tries to move away from paper-based agreements or contracting with government officials to a more trust-based approach which may be less tangible in some cases. A formal "capacity building agreement" may not always be the most appropriate tool.

The programme in the DRC is specifically focused on building the capacity and capability of the central reform unit through a coaching approach that includes formal work plans. In the Liberia programme, use of "outcome logs" based on principles from the Outcome Mapping approach has permitted a much clearer focus on the capacity development aims of each work stream.

⁴ <http://www.odi.org/publications/10226-sustaining-public-sector-capability-developing-countries>

⁵ <http://www.odi.org/publications/9877-change-challenging-contexts-does-happen>

6. *BSI should work towards a clearer understanding of the role of budget transparency in fragile contexts, including identifying what information needs to be communicated to which stakeholders in order to support budget reforms and better economic governance.*

Agree: This has been the focus of BSI's work in Uganda which will be used as a basis for further adaptation and customisation in fragile states.

BSI already has some focus on budget transparency, notably in Uganda;⁶ ongoing trials will help to evaluate the value and impact of this work. In addition to this work, BSI has convened events in London to draw together a range of stakeholders working on the transparency agenda. There is renewed interest in taking forward further country-based work in both Liberia and South Sudan, building on the experience from Uganda. Work in South Sudan will initially focus on developing increased transparency of allocations and expenditure within Government as a first step in improving awareness and budgetary control.

7. *BSI and its Advisory Board should focus their attention on developing a sustainable funding model for the programme and how to establish a BSI presence in new countries.*

Agree: This recommendation is being taken forward both at the country level and in broader level engagement with potential donor partners.

A critical element of BSI's flexibility and responsiveness has been a funding model which enables specific work to be taken forward on the basis of direct demand from the government counterparts to BSI country programmes. This avoids the need to seek separate funding to respond to each request for technical assistance. The current core funding commitment from Sida will enable this model to continue into 2017. BSI has secured some additional funding at country level on the back of this core funding.

The availability of core funding enabled BSI to develop successful country programmes in DR Congo, Liberia, South Sudan and Uganda – as well as to investigate potential opportunities in Burundi, Myanmar, Rwanda, Tajikistan and Yemen. Core funding is now being used to support a trial programme in Sierra Leone, while a mix of core and targeted funding has enabled BSI to take forward scoping work in Somaliland.

While BSI remains confident of its ability to establish a presence in new countries, the lack of sustainable funding will heavily constrain the opportunities to meet and respond to new requests. The evaluation drew attention to the high internal cost of managing multiple funding applications:

“BSI has raised £8.56 million in funding, above its core grant of £7 million, which is a good fundraising record and, from DFID's perspective, demonstrates the value for money of core funding for a programme of this kind. However, the uncertain and piecemeal nature of the funding for Liberia and DRC has hampered planning and delivery. Overall, there have been no fewer than 22 separate negotiations with potential funders, which suggests very high transaction costs.”

There was a useful discussion about this issue at the November 2015 Advisory Board, and BSI will continue to look for opportunities to expand and extend its funding base. Core funding has been an essential part of BSI's success and will continue to be at the centre of future fund-raising efforts.

⁶ www.budget.go.ug

8. *The Advisory Committee should appoint a sub-committee or one of its members to look at its own functioning and develop proposals for how to strengthen BSI's governance.*

Agree: The Chair will initiate a review to guide the future role and function of the Advisory Board.

The BSI Advisory Board has played an important role over the last five years in guiding country selection and providing strategic advice to ODI and to BSI management. The changing nature of funding partners requires a new look at the overall governance arrangements and the appropriate role for an Advisory Board. A new format for the Advisory Board was trialled at the meeting in November 2015, with the aim to promote an increased level of participation.

A working group will be set up to review the Advisory Board function and will report back to ODI senior management and the BSI Advisory Board before the next meeting in May 2016.

**Edward Hedger, Director – Finance and Economic Development, ODI
Chair of the BSI Advisory Board**

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