

Evaluation of the Budget Strengthening Initiative 2015-2017

ODI Management Response, December 2017

Introduction

This note sets out the management response by ODI to the independent evaluation of the Budget Strengthening Initiative¹ which was undertaken in 2017 at the end of three years of support from Sida. The evaluation report has been considered by the BSI project team, by ODI senior management, and by the newly formed Advisory Board of the Public Finance and Institutions programme which oversees BSI.²

Overall reflections

The Executive summary highlights both the distinctive nature of BSI as well as its overall impact. Its summary conclusion was as follows:

“Overall we found BSI to be a very efficient and effective programming initiative. Using a genuine demand-led, flexible and adaptive approach, BSI has strengthened PFM systems in fragile environments in ways that demonstrably contribute to service delivery, state and peace building. Informed by and contributing to high quality fiscal governance policy and research, BSI interventions have added significant value to enhancing fiscal governance in FCAS.”

In terms of the programme’s relevance, the evaluation stated:

“BSI strategic objectives continue to remain relevant to the priorities of host government and donors working to tackle fiscal governance problems in FCAS. In the context of fiscal instability and growing fiscal crisis in many countries where BSI works, BSI efforts to improve PFM policies, systems and processes remain closely aligned to government priorities for resource utilisation, ODA and tax revenue protection and growth. There is clear evidence of BSI adaptability and flexibility, translating its ‘demand-led’ and ‘problem-driven’ approach into practice, acting on changing priorities.”

On delivery, the evaluation said:

BSI has put in place a highly responsive and adaptable delivery system. Programmes are characterised by a large number of small bets, work streams that utilise the right people at the right time to help tackle some of the PFM policies, systems and process problems that constrain better fiscal governance outcomes. Whether these are to ensure a higher share of aid is ‘on-budget’, to improve the accuracy of revenue and debt forecasting, to ensure more credible in-year financial reporting or more equitable fiscal transfers to local government, among others tractable problems.

¹ Available online at <https://bsi.odi.org/en/p/impact-and-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.

As a result, expectations for all work-streams were largely met or exceeded over the two-year period. Of the 14 streams of work BSI undertook in 2015/16 all were validated and met or exceeded planned expectations. BSI performance was equally impressive in 2016/17 (with the exception of two South Sudan work streams, affected by the 2016 escalation in conflict) in generating incremental returns.

BSI has demonstrated that a demand-led, problem-driven, tailored, technical process approach represents good value for money. BSI day-to-day management decisions are generally informed by sound analysis of the politics of each reform, mitigating risk, and enhancing likelihood of effectiveness.

BSI uses potentially innovative monitoring and reporting tools. Outcome logs and annual work stream reviews enable BSI to report and discuss progress well internally and to report to donors. BSI ability to use M&E tools to 'crawl the design space' and 'enhance the authorising environment' is less developed. Work stream outcomes can at times lack clarity and as part of the BSI model, the M&E tools need to be more clearly aligned to problem-driven, iterative, analytic (PDIA) principles.

In terms of results, the evaluation said:

BSI has clearly had a catalytic effect in many of its operational contexts. It has often achieved this by cutting through complexity, designing simple technical solutions that help make systems work better, shepherding multi-agent processes that improve collaboration and providing timely trusted strategic advice, financial modelling to support negotiating process and influencing macro-economic and international tax and trade policies. In more stable post-conflict settings, BSI has been successful at role modelling, utilising technical processes that improve collaboration among actors who more often compete with each other rather than work together towards achieving common outcomes.

This approach engages effectively with the collective action problems that can derail important budget processes or undermine desired revenue policy outcomes. In this way, BSI has helped protect ODA flows and domestic tax receipts but also gone some way towards shifting institutional norms.

The contribution to such outcomes has been greater in the fragile contexts of Liberia and Sierra Leone than in the conflict setting of South Sudan, where political violence escalated in mid-2016. Although in this case the results were none the less impressive. BSI remained engaged for far longer, taking over the work of other departing technical assistance programmes, enabling finance leaders to stay on track, stopping PFM processes from falling apart, meeting budget deadlines and ensuring constitutional obligations in what was an increasingly unpredictable and volatile environment.

On sustainability, the evaluation commented as follows:

By adopting a flexible, behind the scenes delivery model, adhering to the fundamental principles underlying the PDIA approach, BSI interventions are more likely to contribute to developing enduring budget and revenue capacities than conventional output-based programming models.

There is clear evidence of increased knowledge and skills, of practice change and mind-set change, even across finance policy decision-making networks. Yet the results are emergent and incremental, the authorizing space still limited and the practice changes still need embedding. It is difficult to confidently predict that all the results will be sustained. Some may be partially protected by legislative change and precedence but many are vulnerable to reversal, particularly in South Sudan as a direct consequence of conflict but also in Liberia and Sierra Leone due to political change.

The Evaluation presented five recommendations. These were limited to tackling key value and effectiveness issues at the organizational level not to all issues or to each country programme. The recommendations are useful and identify a number of areas where improvements can be made both for BSI as a whole and for ongoing work at a country level.

Response to Recommendations

Recommendation 1

BSI should refine its outcome statement in order to more clearly articulate the link between efficient PFM policies, systems and processes and improved resource utilisation, revenue protection and revenue growth. The tighter coupling would also create the analytical space for BSI to articulate what the outcome actually looks like in different countries and institutional workstream contexts.

Agree. This represents a good articulation of what we seek in all our advisory and research work and was the subject of a recent report entitled “Fiscal Governance and state-building” (see [here](#)). We will review our ongoing programmes in early 2018 to more clearly specify this link in the different contexts in which we work. However, it is important to recognise that ongoing work on strengthening policies, systems and processes remains only a part of the work that is needed to effect sustainable change at the outcome level. We will continue to use Stories of Change to explain the more detailed contributions that changes at different levels bring.

Recommendation 2

Intervention-level outcomes also need to be clearer if BSI is to remain faithful to its PDIA aspirations. Outcome clarity will make it far easier ‘to trawl the design space’ and ‘enhance the authorising environment’, testing whether the particular strategic bet still makes political sense. Outcomes need to be measurable, providing leaders with a real sense of what they actually look like in practice.

Agree. This is the level at which there can be more clarity on the links between the work we do on strengthening PFM policies, systems and processes and changes in attitudes, behaviours, policies etc. The Liberia Programme has used Outcome Mapping as a tool to assist the programme to articulate this. In addition, we took the opportunity of bringing together research and advisory teams in London during the Public Finance and Institutions retreat in November 2017 to explore across the group how we could more effectively monitor and evaluate the progress that the programme is making. There was a recognition that the ex-post evaluation of the Sierra Leone Country Programme identified positive outcomes which had not been fully anticipated at the time. We will therefore look to identify potential changes in attitudes and behaviours in our monitoring tools.

Recommendation 3

As BSI operates in an increasingly uncertain funding environment it needs to have risk mitigation policies and triggers in place that enable it to quickly and consistently take decisions with regard to exit, scale-down or scale-up. BSI should draw policy and practice lessons from recent experiences in South Sudan, Sierra Leone and DRC. Such analysis will have wider value (e.g. as many NGOs are currently operating in similarly unpredictable short-term fragmented funding environments).

Agree. BSI has worked hard to mitigate and minimise risk both in terms of the diversification of funding and clear strategies to evaluate whether it is appropriate to exit or change the scale of an in-country operation. We have made increasing use of an External Advisory Group to assist with decisions on South Sudan and this method has been used elsewhere in the Institute, for instance to test our engagement in Myanmar. We will look to see how to best capture the lessons and learning in the different contexts in which we are working.

Recommendation 4

BSI would benefit from experimenting with ‘Most Significant Change’ exercises (table 38). As part of this exercise it should revisit the purpose and process associated with its ‘Stories of Change’ tool.³ It should also explore means of introducing or tightening leadership feedback loops, ensuring the change dialogue travels through the hierarchy as well as across PFM policy outcome networks.

Agree. There is a need to review the Stories of Change tool and to focus more explicitly on Most significant changes. There is a danger that an annual process of review focuses on changes that are too small and therefore a review process that looks at larger and more significant movements makes sense. However, the value of an independent evaluation is that it has subjected all of our change narratives to external scrutiny. This has resulted in external validation of most of them and the identification of some of the annual changes being classified as “not significant”. This serves to ensure the integrity of the identified changes.

Recommendation 5

BSI should ensure that its theory of change accounts more clearly for the role of capacity augmentation. Rather than seek to clarify the similarities and differences between BSI Advisors and ODI Fellows, BSI should document the strategic contexts and practice where Advisors and Fellows have worked together to achieve common outcomes and add overall value to PFM reforms.

Agree. Liberia and South Sudan are good examples of where BSI Advisors and ODI Fellows have worked well together: Fellows have provided insight and regular engagement which has been complemented by advisory inputs from more senior BSI staff. There is particular value in this sort of synergy in fragile states, and the Public Finance and Institutions (PFI) group continues to work closely alongside the fellowship in a number of fragile environments. PFI also participated in the briefing week for in-coming Fellows in July 2017 and there has been a good uptake by Fellows of the PFM Introductory Guides which were written explicitly to support work in different areas in fragile contexts. The complete set of guides is [here](#).

³ Davies, R. and Dart, J (2005) The ‘Most Significant Change’ technique, a guide to its use (also see AGI adapted MSC exercises and various organizational adaptations - www.unitar.org or www.click4iit.org)